



Rainforest Alliance, Inc.

Financial Statements

June 30, 2010 and 2009

With Independent Auditors' Reports

Rainforest Alliance, Inc.
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June 30, 2010 and 2009

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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 the Rainforest Alliance, Inc., ("RA") as of June 30, 2010, 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 prior year summarized comparative information has been derived from RA's 2009 financial statements and, in our report dated April 21, 2010 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2010 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.

WithumSmith+Brown, PC

January 20, 2011

Rainforest Alliance, Inc.
Statement of Financial Position
June 30, 2010
(With Comparative Summarized Totals for June 30, 2009)

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 7,864,781	\$ 4,604,261
Grants and contributions receivables	3,294,437	2,191,829
SmartWood and other receivables, net of allowances for doubtful accounts of \$474,982 in 2010 and \$412,152 in 2009	595,037	2,532,262
Advances and prepaid expenses	<u>461,613</u>	<u>305,749</u>
Total current assets	12,215,868	9,634,101
Security deposits	186,338	186,338
Investments	1,106,395	1,064,677
Property and equipment, net	<u>188,453</u>	<u>141,936</u>
	<u>\$ 13,697,054</u>	<u>\$ 11,027,052</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,988,786	\$ 3,988,204
Refundable advances	1,285,673	--
Deferred rent liability	41,621	22,899
Current portion of loan payable	956,700	--
Current portion of recoverable grant payable	<u>1,435,050</u>	<u>--</u>
Total current liabilities	8,707,830	4,011,103
Long term liabilities		
Loan payable, net of current portion	--	956,700
Recoverable grant payable, net of current portion	--	1,435,050
Deferred rent liability	<u>72,161</u>	<u>113,782</u>
	<u>72,161</u>	<u>2,505,532</u>
Total liabilities	8,779,991	6,516,635
Net assets (deficiency)		
Unrestricted	(1,121,944)	(1,265,304)
Temporarily restricted	5,039,007	4,775,721
Permanently restricted	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets	<u>4,917,063</u>	<u>4,510,417</u>
	<u>\$ 13,697,054</u>	<u>\$ 11,027,052</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, 2010
(With Summarized Comparative Totals for June 30, 2009)

	2010				2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and revenues					
Contributions	\$ 1,270,687	\$ 1,616,122	\$ --	\$ 2,886,809	\$ 3,140,943
Foundations and corporate grants	286,839	6,723,038	--	7,009,877	6,606,686
Government grants and contracts	8,800,431	1,609,298	--	10,409,729	8,658,142
Membership dues	665,816	--	--	665,816	626,338
Certification fees	11,545,988	--	--	11,545,988	12,023,804
Special events - net	1,031,132	200,000	--	1,231,132	1,254,767
Other income	266,926	342,091	--	609,017	500,302
In-kind contributions	1,267,922	--	--	1,267,922	793,409
Net assets released from restrictions	<u>10,227,263</u>	<u>(10,227,263)</u>	<u>--</u>	<u>--</u>	<u>--</u>
	35,363,004	263,286	--	35,626,290	33,604,391
Expenses					
Program services					
Sustainable agriculture	10,934,505	--	--	10,934,505	7,279,610
SmartWood	10,814,031	--	--	10,814,031	10,929,590
TREES	4,658,114	--	--	4,658,114	3,803,153
Sustainable tourism	2,420,959	--	--	2,420,959	1,834,186
Communications/education	2,148,427	--	--	2,148,427	2,263,688
Climate Initiative	475,819	--	--	475,819	--
Special projects	<u>1,108,467</u>	<u>--</u>	<u>--</u>	<u>1,108,467</u>	<u>2,869,324</u>
	32,560,322	--	--	32,560,322	28,979,551
Management and general	302,330	--	--	302,330	275,191
Fundraising	<u>2,356,992</u>	<u>--</u>	<u>--</u>	<u>2,356,992</u>	<u>1,525,915</u>
	35,219,644	--	--	35,219,644	30,780,657
Change in net assets	143,360	263,286	--	406,646	2,823,734
Net assets (deficiency), beginning of year	<u>(1,265,304)</u>	<u>4,775,721</u>	<u>1,000,000</u>	<u>4,510,417</u>	<u>1,686,683</u>
Net assets (deficiency), end 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>

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

Rainforest Alliance, Inc.
Statement of Functional Expenses
Year Ended June 30, 2010
(With Summarized Comparative Totals for June 30, 2009)

	Program Services								Support Services			2010	2009
	Sustainable Agriculture	SmartWood	TREES	Sustainable Tourism	Communications/ Education	Climate Initiative	Special Projects	Total	Management and General	Fund-Raising	Total	Grand Total	
Salaries and benefits	\$ 3,343,497	\$ 4,299,723	\$ 1,958,450	\$ 1,078,347	\$ 1,032,967	\$ 216,427	\$ 510,596	\$ 12,440,007	\$ 137,810	\$ 905,935	\$ 1,043,745	\$ 13,483,752	\$ 12,730,315
Sub-grants	1,881,444	--	198,014	53,243	59,681	5,000	36,430	2,233,812	--	--	--	2,233,812	1,761,627
Consultants	2,727,879	1,016,419	1,145,078	451,006	516,908	90,387	265,449	6,213,126	46,509	227,615	274,124	6,487,250	5,220,492
Telephone	67,334	110,563	69,137	23,833	13,343	4,547	19,276	308,033	7,043	17,374	24,417	332,450	285,546
Printing	33,926	10,797	2,171	33,212	13,289	1,485	992	95,872	28	116,109	116,137	212,009	169,547
Postage/shipping	43,375	15,603	10,093	9,209	3,312	1,155	7,656	90,403	1,163	220,330	221,493	311,896	315,525
Office supplies	59,770	48,524	53,351	22,055	8,691	2,424	16,499	211,314	2,072	10,270	12,342	223,656	198,346
Office equipment	56,784	93,360	65,934	18,154	10,375	1,824	6,196	252,627	973	30,172	31,145	283,772	279,619
Certification	476,039	3,620,353	15,654	--	--	7,428	--	4,119,474	--	295	295	4,119,769	3,483,064
Occupancy	361,229	225,879	209,766	145,739	241,868	35,502	58,861	1,278,844	53,030	204,790	257,820	1,536,664	1,475,097
Travel	820,154	409,511	541,302	286,087	52,685	65,332	104,426	2,279,497	23,989	66,957	90,946	2,370,443	2,068,298
Workshops	161,447	45,429	150,439	128,006	56,969	16,537	20,396	579,223	550	4,377	4,927	584,150	467,785
Other office expenses	423,290	442,098	43,500	76,307	61,338	14,402	30,552	1,091,487	20,653	157,232	177,885	1,269,372	1,442,298
Depreciation	8,012	7,924	3,470	1,774	1,574	349	812	23,915	223	7,449	7,672	31,587	50,886
Bad debt expense	163,670	108,901	62,172	27,747	16,648	--	--	379,138	--	--	--	379,138	--
Tax expense	14,194	69,694	2,908	1,486	1,319	292	680	90,573	186	1,243	1,429	92,002	38,803
	<u>10,642,044</u>	<u>10,524,778</u>	<u>4,531,439</u>	<u>2,356,205</u>	<u>2,090,967</u>	<u>463,091</u>	<u>1,078,821</u>	<u>31,687,345</u>	<u>294,229</u>	<u>1,970,148</u>	<u>2,264,377</u>	<u>33,951,722</u>	<u>29,987,248</u>
In-Kind services and supplies	<u>292,461</u>	<u>289,253</u>	<u>126,675</u>	<u>64,754</u>	<u>57,460</u>	<u>12,728</u>	<u>29,646</u>	<u>872,977</u>	<u>8,101</u>	<u>386,844</u>	<u>394,945</u>	<u>1,267,922</u>	<u>793,409</u>
	<u>\$ 10,934,505</u>	<u>\$ 10,814,031</u>	<u>\$ 4,658,114</u>	<u>\$ 2,420,959</u>	<u>\$ 2,148,427</u>	<u>\$ 475,819</u>	<u>\$ 1,108,467</u>	<u>\$ 32,560,322</u>	<u>\$ 302,330</u>	<u>\$ 2,356,992</u>	<u>\$ 2,659,322</u>	<u>\$ 35,219,644</u>	<u>\$ 30,780,657</u>

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

Rainforest Alliance, Inc.
Statement of Cash Flow
Years Ended June 30, 2010
(With Summarized Comparative Totals for June 30, 2009)

	2010	2009
Cash flows from operating activities		
Changes in net assets	\$ 406,646	\$ 2,823,734
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	31,587	50,886
Permanently restricted contributions	--	(1,000,000)
Allowance for bad debt	379,138	412,152
Unrealized gains	(11,899)	(24,079)
Changes in assets and liabilities		
Grants and contributions receivable	(1,102,608)	(118,606)
SmartWood and other receivables	1,558,087	(975,578)
Advances and prepaid expenses	(155,864)	52,364
Security deposits	--	(67,972)
Accounts payable and accrued expenses	1,000,582	486,116
Refundable advances	1,285,673	--
Deferred rent liability	(22,899)	110,584
Net cash provided by operating activities	<u>3,368,443</u>	<u>1,749,601</u>
Cash flows from investing activities		
Purchases of property and equipment	(78,104)	(57,490)
Permanently restricted endowment contributions	--	1,000,000
Purchase of investments	(29,819)	(1,315,205)
Proceeds from sale of investments	--	308,353
Net cash used by investing activities	<u>(107,923)</u>	<u>(64,342)</u>
Net increase in cash and cash equivalents	3,260,520	1,685,259
Cash and cash equivalents		
Beginning of year	<u>4,604,261</u>	<u>2,919,002</u>
End of year	<u>\$ 7,864,781</u>	<u>\$ 4,604,261</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ --	\$ --
Foreign taxes paid	\$ 38,801	\$ 183,398

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

Rainforest Alliance, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

1. Organization and Nature of Activities

The Rainforest Alliance, Inc. ("RA") is an international non-profit organization 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.

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

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. 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.

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 and certification fees. Membership dues are allocated to the appropriate period when earned. Certification fees are recognized as revenue as the service is provided. Dues and certification fees received before the related service or program provided by RA are netted with SmartWood receivables.

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. 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, 2010 and 2009

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 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, 2009, 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, 2009, 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, 2010. There are no open tax years prior to June 30, 2007. RA has operations in other countries and is subject to the laws and regulations of those countries.

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, 2010 and 2009

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 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.

Concentration of Credit Risk

Financial instruments that potentially expose RA to concentration of credit risk consist primarily of cash and cash equivalents, investments and receivables. 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 \$250,000 insured limit. As of June 30, 2010 and 2009 RA had approximately \$1,361,000 and \$876,000, 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.

Economic Dependency

During the years ended June 30, 2010 and 2009, 10.59 and 12.28 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 \$72,000 and \$32,000 for the years ended June 30, 2010 and 2009, respectively.

3. Investments

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

	2010		2009	
	Cost	Market	Cost	Market
Money funds	\$ 258,985	\$ 258,985	\$ 109,492	\$ 109,492
Government bonds	14,601	41,406	24,000	24,605
Certificate of deposits	791,000	806,004	907,000	930,580
	<u>\$ 1,064,586</u>	<u>\$ 1,106,395</u>	<u>\$ 1,040,492</u>	<u>\$ 1,064,677</u>

Rainforest Alliance, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

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, 2010 and 2009 and was comprised of the following:

	2010	2009
Unrealized gains	\$ 11,899	\$ 24,079
Interest income	<u>39,855</u>	<u>47,828</u>
	<u>\$ 51,754</u>	<u>\$ 71,907</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, 2010 and 2009 as follows:

	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, 2010			June 30, 2009		
Money funds	\$ 258,985	\$ 258,985	\$ --	\$ 109,492	\$ 109,492	\$ --
Government bonds	41,406	41,406	--	24,605	24,605	--
Certificate of deposits	<u>806,004</u>	<u>--</u>	<u>806,004</u>	<u>930,580</u>	<u>--</u>	<u>930,580</u>
Total investments	<u>\$ 1,106,395</u>	<u>\$ 300,391</u>	<u>\$ 806,004</u>	<u>\$ 1,064,677</u>	<u>\$ 134,097</u>	<u>\$ 930,580</u>

Rainforest Alliance, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

5. Property and Equipment

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

	2010	2009
Furniture and equipment	\$ 608,948	\$ 530,844
Software	132,506	132,506
Leasehold improvements	<u>60,275</u>	<u>60,275</u>
	801,729	723,625
Less: Accumulated depreciation	<u>613,276</u>	<u>581,689</u>
	<u>\$ 188,453</u>	<u>\$ 141,936</u>

Depreciation expense amounted to \$31,587 and \$50,886 for the years ended June 30, 2010 and 2009, 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 are tied to cash flows from operations from funded activities which began in 2004. The balance under this recoverable grant at each of the years ended June 30, 2010 and 2009 was \$1,435,050. The debt was called in March 2010.

In April 1999, RA received an interest-free loan of \$1,000,000 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. The balance under this recoverable grant at each of the years ended June 30, 2010 and 2009 was \$956,700.

RA is currently negotiating the terms of forgiveness or repayment over a five year period. The debt has been included as a current liability in the statement of financial position at June 30, 2010.

7. In-Kind Contributions

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

	2010	2009
Legal services	\$ 842,485	\$ 655,095
Annual gala services	335,745	38,339
Imputed interest	<u>89,692</u>	<u>99,975</u>
	<u>\$ 1,267,922</u>	<u>\$ 793,409</u>

The contribution (imputed interest) inherent in the interest-free loans has been recorded at fair value, based on an imputed interest rate of 4.00 percent and 4.18 percent for fiscal years ended June 30, 2010 and 2009, respectively, which is the average prime rate of the fiscal year.

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 \$222,342 and \$203,717 for the years ended June 30, 2010 and 2009, respectively.

Rainforest Alliance, Inc.
Notes to Financial Statements
June 30, 2010 and 2009

9. Commitments

RA leases office space in New York under leases that expire through September 2012. 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
2011	\$ 777,559
2012	786,880
2013	<u>171,057</u>
	<u>\$ 1,735,496</u>

Rent expense for the above leases totaled approximately \$1,177,000 and \$1,145,000, for the years ended June 30, 2010 and 2009, 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.

10. Net Assets

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

	2010	2009
Sustainable Forestry	\$ 933,277	\$ 1,109,121
Sustainable Agriculture	1,787,020	1,008,189
Sustainable Tourism	48,932	229,422
Climate Change	318,982	89,386
Education	110,798	96,198
Communications	189,195	535,997
Special Projects	210,158	1,373,782
Capital Campaign	1,363,591	256,571
Charitable Trusts	46,778	46,778
Operations	<u>30,276</u>	<u>30,277</u>
	<u>\$ 5,039,007</u>	<u>\$ 4,775,721</u>

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

	2010	2009
Sustainable Forestry	\$ 2,195,333	\$ 1,535,365
Sustainable Agriculture	4,484,673	2,044,472
Sustainable Tourism	1,190,290	280,807
Climate Change	428,985	164,510
Education	297,537	224,937
Communications	1,183,252	854,572
Special Projects	360,693	1,490,535
Capital Campaign	86,500	115,612
Operations	<u>--</u>	<u>104,515</u>
	<u>\$ 10,227,263</u>	<u>\$ 6,815,325</u>

Rainforest Alliance, Inc.
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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:

- (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, strategies employed for achieving objectives, and a spending policy.

The following table provides information regarding the change in endowment net assets for the years ended June 30, 2010 and 2009:

	2010			2009		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, beginning of year	\$ 39,231	\$ 1,000,000	\$ 1,039,231	\$ --	\$ --	\$ --
Contributions received	--	--	--	--	1,000,000	1,000,000
Investment return						
Investment income	29,190	--	29,190	15,651	--	15,651
Unrealized loss	(4,026)	--	(4,026)	23,580	--	23,580
	<u>25,164</u>	<u>--</u>	<u>25,164</u>	<u>39,231</u>	<u>--</u>	<u>39,231</u>
Endowment assets end of year	<u>\$ 64,395</u>	<u>\$ 1,000,000</u>	<u>\$ 1,064,395</u>	<u>\$ 39,231</u>	<u>\$ 1,000,000</u>	<u>\$ 1,039,231</u>
Permanently restricted net assets Required to be maintained in perpetuity		<u>\$ 1,000,000</u>			<u>\$ 1,000,000</u>	

11. Subsequent Events

RA has evaluated subsequent events occurring after the statement of financial position date through the date of January 20, 2011. Based upon this evaluation, RA has determined that no subsequent events have occurred, which require adjustment to or disclosure in the financial statements.