

**RAINFOREST TRUST**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**KRONZEK, FISHER & LOPEZ, PLLC**  
*Certified Public Accountants*

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DECEMBER 31, 2015

RAINFOREST TRUST

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Rainforest Trust  
Warrenton, VA

We have audited the accompanying financial statements of the Rainforest Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, 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.

### **Auditor's Responsibility**

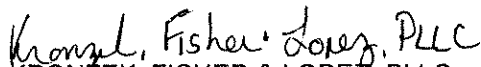
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 auditor's 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 the Rainforest Trust as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

  
KRONZEK, FISHER & LOPEZ, PLLC  
Washington, DC  
August 2, 2016

RAINFOREST TRUST  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 6,845,295
Investments	908,713
Prepaid expense	26,288
	7,780,296
FIXED ASSETS	
Equipment	17,980
Accumulated depreciation	6,907
	11,073
OTHER ASSETS	
Security deposit	7,083
	7,083
TOTAL ASSETS	\$ 7,798,452

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable & accrued expenses	\$ 70,664
Deferred lease incentive	124
	70,788
NON CURRENT LIABILITIES	
Deferred lease incentive (net of current)	8,062
	8,062
TOTAL LIABILITIES	78,850
NET ASSETS	
Unrestricted	1,180,984
Temporarily restricted - Grants	5,484,737
- Conservation	290,179
- Sustainability Fund	763,702
	6,538,618
TOTAL NET ASSETS	7,719,602
TOTAL LIABILITIES AND NET ASSETS	\$ 7,798,452

See accompanying notes to financial statements.

RAINFOREST TRUST  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>			
Grants & contributions	\$967,238	\$11,811,023	\$12,778,261
Investment income	31,140	34,121	65,261
Miscellaneous revenue	975	-	975
	<u>999,353</u>	<u>11,845,144</u>	<u>12,844,497</u>
Net assets released from: Satisfaction of program restrictions	<u>7,408,043</u>	<u>(7,408,043)</u>	<u>-</u>
Total revenue	<u>8,407,396</u>	<u>4,437,101</u>	<u>12,844,497</u>
<b>EXPENSES</b>			
Program:			
World Land and Biodiversity Conservation	7,764,608	-	7,764,608
Support:			
General & Administrative	91,343	-	91,343
Fundraising	287,605	-	287,605
Total support	<u>378,948</u>	<u>-</u>	<u>378,948</u>
Total expenses	<u>8,143,556</u>	<u>-</u>	<u>8,143,556</u>
<b>CHANGE IN NET ASSETS</b>	263,840	4,437,101	4,700,941
Beginning net assets	<u>917,144</u>	<u>2,101,517</u>	<u>3,018,661</u>
Ending net assets	<u>\$1,180,984</u>	<u>\$6,538,618</u>	<u>\$ 7,719,602</u>

See accompanying notes to financial statements.

RAINFOREST TRUST  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	World Land and Biodiversity Conservation	General & Adminstrative	Fundraising	Total
Payroll, payroll taxes & benefits	\$ 558,735	\$ 65,201	\$ 233,027	\$ 856,963
Rent & utilities	59,243	9,085	3,145	71,473
Project grants & expense	6,754,980	-	-	6,754,980
Consultants	60,292	12,268	2,440	75,000
Professional fees	547	422	12,232	13,201
Travel	33,727	81	3,483	37,291
Meeting & meals/entertainment expense	19,312	374	1,013	20,699
Telephone & communications	10,409	100	391	10,900
Insurance	3,387	62	181	3,630
Printing & reproduction	16,617	22	18,096	34,735
Advertising & promotional	143,314	4	4,039	147,357
Office supplies & expense	35,401	689	3,052	39,142
Dues & subscriptions	37,848	-	969	38,817
Website	3,000	63	193	3,256
Postage & delivery	4,532	19	3,118	7,669
Bank & other fees	19,550	2,938	2,139	24,627
Depreciation	2,359	9	39	2,407
Miscellaneous expense	1,355	6	48	1,409
Totals	<u>\$ 7,764,608</u>	<u>\$ 91,343</u>	<u>\$ 287,605</u>	<u>\$ 8,143,556</u>

See accompanying notes to financial statements.

RAINFOREST TRUST  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities:	
Cash received from grants & contributions	\$12,669,633
Cash received from interest & dividends	7,482
Cash received from miscellaneous income	975
Cash paid to employees & vendors	(8,091,443)
Net cash provided by operating activities	<u>4,586,647</u>
Cash flows from investing activities	
Purchase of fixed assets	(5,875)
Net sale/purchase of donated securities & other securities	(108,125)
Net cash used by investing activities	<u>(114,000)</u>
Net increase in cash and cash equivalents	4,472,647
Cash and cash equivalents - January 1, 2015	<u>2,372,648</u>
Cash and cash equivalents - December 31, 2015	<u><u>\$ 6,845,295</u></u>
Reconciliation of increase in net assets to net cash provided by operating activities:	
Change in net assets	\$ 4,700,941
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	2,407
Donated stock	(108,628)
Reinvested investment income	(48,937)
Realized gain/loss on investments	(8,842)
Changes in assets and liabilities:	
Increase in prepaid expense	(13,138)
Increase in security deposit	(5,783)
Increase in accounts payable & accrued expenses	60,441
Increase in deferred lease incentive	<u>8,186</u>
Net cash provided by operating activities	<u><u>\$ 4,586,647</u></u>

See accompanying notes to financial statements.



RAINFOREST TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 1 - ORGANIZATION**

Rainforest Trust is a nonprofit organization organized in the state of New York as World Parks Endowment on May 19, 1989. During 2006, it adopted the doing-business-as name of World Land Trust – US. In 2013, the organization adopted the doing-business-as name of Rainforest Trust and then changed their name to Rainforest Trust.

Rainforest Trust was established in order to provide funds for conservation of parks and protected areas around the world that are of international importance for the conservation of biological diversity. Its program emphasizes the conservation of private lands, especially through acquisitions of critical sites for conservation. The organization is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. The organization is a public foundation under Section 509(a)(1) of the Internal Revenue Code, Subsection 170(b)(A)(vi).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Basis of Presentation – The financial statement presentation follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition – Grants and contributions are recognized when an unconditional grant or contribution has been awarded, or when the organization has satisfied the requirements of the condition. Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence of any donor restrictions.

Unrestricted grants & contributions are recognized in the unrestricted fund when awarded. Grants and contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets. When the provisions of the restriction have been met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The organization had no permanently restricted grants.

Cash and Cash Equivalents – The organization considers cash equivalents to be highly liquid investments with original maturities at time of purchase of less than 90 days.

Furniture and equipment - Furniture and equipment are recorded at cost. Depreciation is determined by the straight-line method based on an estimated useful life of five or seven years.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional expenses – The organization accounts for its expenses on a functional basis. Functional expenses include certain allocated overhead costs (rent, telephone, etc.)

Fair Value of Financial Instruments – The financial instruments of the organization are reported on the statement of financial position at market or fair values, or at a carrying amounts that approximate fair values because of the short maturity of the instruments. See Note 8 for a description of financial instruments carried at fair value

RAINFOREST TRUST  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments- Investments consist of certificates of deposits (90 days or greater), equities, mutual funds, and loans which are reported at fair value. Unrealized gains or losses are determined by comparison of cost to fair value at the beginning and end of the reporting period. Realized gains and losses are reflected in the accompanying statement of activities.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

The organization maintains cash balances in excess of \$250,000 in accounts, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015, the organization's cash balance in excess of FDIC insurance totaled \$5,217,885.

**NOTE 4 - LAND**

In performing its exempt purpose, the organization may acquire and distribute various land plots in order to facilitate the conservation of those lands. It is not the policy of the organization to own and hold land, therefore the organization does not recognize the income and the distribution of the above land in the financial statements.

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

African Parks – Chad	\$ 219,173
Amphibian – Panama	76,500
Amphibian Initiative	67,500
Atewa – Ghana	18,798
Balanga – DRC	412,087
Borneo – Orangutang/Hutan/Danum	129,792
Borneo Initiative – Borneo	354,303
Bukit – Sumatra	457,618
Cambugan – Ecuador	4,000
Cardamom – Cambodia	1,715
CEDIA	1,034,340
Eaglenest – India	63,098
EcoMinga	18,716
Geometric Tortoise – South Africa	60,769
Gola Forest – Liberia	182,980
Imawburn NP – Myanmar	91,044
Jocotoco	87,964
Antisana	1,455
Vanacocha	2,700
LoMami – DRC	68,092
Mae Nyaw Kee – Myanmar	230,503
Maleo – Sulawesi Indonesia	128,079
Mangabe – Madagascar	185,418
Mono Tocon – TiTi Monkey – Peru	50,647
Morne – Haiti	180,000
Ngamikka – DRC	101,899
OBO NP Buffer Zone – Sao Torne	94,900

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

Other Restricted	548,971
Palawan - Philippines	57,474
ProAves	4,499
Cotton-Top/Titi	91,121
El Jaguar	2,461
GPF	50,056
REGUA	181
Revolving Land Fund	52,247
Sangihe – Indonesia	14,891
Serra Bonita	9,378
Sierra Santa Cruz	147,728
Taita Apalis – Kenya	145,685
Tanoe – Cote d'Ivoire	<u>35,955</u>
Total Grants	\$5,484,737
Conservation	290,179
Sustainability Fund	<u>763,702</u>
TOTAL	\$6,538,618

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of time restrictions specified by donors as follows:

Purpose restriction accomplished: Land protection of the following:

African Parks – Chad	\$ 106,625
AMA – Brazil	106,379
Amphibian – Panama	8,500
Amphibian Initiative	7,500
Armonia	3,911
BTMacaw	56,693
Atewa – Ghana	310
Balanga – DRC	45,787
Borneo – Orangutang/Hutan/Danum	75,051
Borneo Initiative – Borneo	39,367
Bukit – Sumatra	639,561
Cambugan – Ecuador	296,000
Cardamom – Cambodia	111,302
CEDIA	819,379
Cosanga	1,010
Eaglenest – India	6,282
EcoMinga	149,770
Finca _ Guatemala	97,789
Geometric Tortoise – South Africa	587,908
Gola Forest – Liberia	154,130
Goode's Tortoise Reserve (NCSM) – Mexico	52,778
Hoge's Turtle Brazil	193,000
Imawburn NP – Myanmar	60,970
Jaguar Initiative	3,975
Jocotoco	216,827
Antisana	39,000

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**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

Buenaventura	1,083,936
Vanacocha	9,750
LoMami – DRC	217,670
Mae Nyaw Kee – Myanmar	77,447
Maleo – Sulawesi Indonesia	28,989
Mangabe – Madagascar	132,227
Mono Tocon – Titi Monkey – Peru	18,820
Morne – Haiti	20,000
Neotropical Primate – Yambrasbamba-Peru	44,012
Ngamikka – DRC	50
OBO NP Buffer Zone – Sao Tome	10,545
Other Restricted	85,682
Pantanal	3,660
Parque Condor	33,500
ZPrey Preah Rokha	46,235
ProAves	310,837
Cotton-Top/Titi	33,480
Ecoturs	100,886
El Dorado	369,484
El Jaguar	126,794
GPF	37,500
Magdalena/Paujil	165
Perija	336,978
Tangaras	2,762
REGUA	207,969
Revolving Land Fund	22,843
Rio Pucuno	26,800
Serra Bonita	33,999
Sierra Santa Cruz	81,476
Taita Apalis – Kenya	31,468
Tanoe – Cote d'Ivoire	42,481
Tree Kangaroo – PNG	19,252
WLT – UK	99
	<hr/>
Total Grants	\$7,477,600
Conservation	(71,930)
Sustainability Fund	2,373
	<hr/>
TOTAL	\$7,408,043

**NOTE 6 – RETIREMENT PLAN**

The organization matches the employee's contributions up to 3% of their salary for all eligible employees into a SIMPLE IRA. The organization's retirement expense for the period ending December 31, 2015 was \$14,842.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

Effective March 25, 2015 the organization moved and began leasing office space at 7078 Airlie Road, Warrenton, VA through March 31, 2019. Monthly base rent payments under the new lease were abated 50% for the first two months. The total rent abatement to be recognized will be \$7,083, and will be amortized over the life of the lease as a reduction to rent expense.

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**NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The organization's minimum lease commitment as of December 31, 2015 contained in the lease is as follows:

For the fiscal year ending –	
December 31, 2016	\$ 86,594
December 31, 2017	88,759
December 31, 2018	90,978
December 31, 2019	<u>22,884</u>
Total	<u>\$ 289,215</u>

Total rent expense for the year ended December 31, 2015 was \$57,430.

Monthly rent expense to be recognized over the lease on a straight line basis will be \$7,206 (\$345,879 divided by 48 months). The difference between this amount recognized and paid will be adjusted to accrued expenses throughout the term of the lease.

The organization also leased office space in Sandwich, NH on a month to month basis at a rate of \$300 a month.

**NOTE 8 – FAIR VALUE MEASUREMENTS**

The organization follows FASB ASC 820-10 for financial assets (and liabilities) measured on a recurring basis, as amended. FASB ASC 820-10 clarifies fair value, establishes a framework for measuring fair value under generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB ASC 820-10 emphasizes that fair value is a market based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820-10 established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly or indirectly, through corroboration with observable market data (market corroborated inputs).

Level 3 – unobservable inputs for the asset or liability including inputs that reflect the reporting entity's own assumptions in determining the fair value measurements.

The following table summarizes the Organization's assets (and liabilities) measured at fair value on a recurring basis as of December 31, 2015:

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 – FAIR VALUE MEASUREMENTS (CONTINUED)**

<u>Assets Measured at Fair Value</u>				
<u>Description</u>	<u>12/31/15</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Recurring Basis</u>				
Money Market	\$4,556,964	\$4,556,964	\$ -	\$ -
Certificates of Deposit	1,505,831	1,505,831	-	-
Mutual Funds	438,300	438,300	-	-
Stocks	19,190	19,190	-	-
Unsecured Consumer Credit Loan Notes	<u>451,222</u>	<u>451,222</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<b>\$6,971,507</b>	<b>\$6,971,507</b>	<b>\$ -</b>	<b>\$ -</b>

**NOTE 9 – SUSTAINABILITY FUND**

In 2014, the organization received an investment portfolio worth approximately \$495,000. The vision of this fund is to provide a source a funding for habitat preservation in tropical regions throughout the world for endangered and threatened species. Once the fund reaches \$1.4 million dollars, or after five years, whichever comes first, the organization can start disbursing funds. Disbursements shall be used for land acquisition protection. Up to, but no more than 50% of disbursements in given year may be for land reclamation and reforestation. Recipients of the disbursements will be deemed by the Board to be responsible stewards of the land and funds, and financially sound and sustainable.

**NOTE 10 – INCOME TAXES**

The organization is exempt from income taxes under Internal Revenue Code 501 (c)(3) and applicable state statutes. No provision for income taxes is required at December 31, 2015, as the Organization had no net unrelated business income.

The organization follows FASB ASC 740 Income Taxes the authoritative guidance relating to accounting for uncertainty in income taxes. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2015, and determined that there were no matters that would require recognition in the financial statements or which may have any affect on its tax-exempt status. As of December 31, 2015, the statute of limitations for tax years 2012 through 2014 remains open with federal and state authorities.

**NOTE 12 – SUBSEQUENT EVENTS**

The organization's management has evaluated subsequent events through August 2, 2016, the date of the financial statements were available to be issued. There were no subsequent events identified through August 2, 2016 which were required to be disclosed in these financial statements.