

RAINFOREST PARTNERSHIP
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

December 31, 2011

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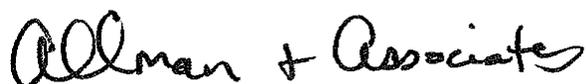
INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rainforest Partnership
Austin, Texas

We have audited the accompanying statement of financial position of Rainforest Partnership (a nonprofit corporation) as of December 31, 2011, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Rainforest Partnership's management. 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 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of Rainforest Partnership as of December 31, 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.



Austin, Texas
August 8, 2012

RAINFOREST PARTNERSHIP
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

As of December 31, 2011

Assets

Current Assets:

Cash and cash equivalents	\$	40,176
Investments held at Austin Community Foundation		19,868
Accounts receivable		<u>1,000</u>

Total Current Assets 61,044

Property and Equipment, net of accumulated depreciation 26,219

Total Assets \$ 87,263

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$	<u>6,830</u>
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Total Current Liabilities 6,830

Total Liabilities 6,830

Net Assets:

Unrestricted Net Assets	49,394
Temporarily Restricted Net Assets	31,039
Permanently Restricted Net Assets	<u>-</u>

Total Net Assets 80,433

Total Liabilities and Net Assets \$ 87,263

See accompanying auditors' report and notes to financial statements.

RAINFOREST PARTNERSHIP
(A Nonprofit Corporation)

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues:				
Grants	\$ 10,000	\$ 12,500	\$ -	\$ 22,500
In-kind contributions	427,966	-	-	427,966
Contributions	31,030	-	-	31,030
Special events	55,351	-	-	55,351
Investment income	134	-	-	134
Totals	524,481	12,500	-	536,981
Released from restrictions	23,187	(23,187)	-	-
Total Revenues	547,668	(10,687)	-	536,981
Expenses				
Program Services				
Rainforest Partnership	496,179	-	-	496,179
Management and general	55,671	-	-	55,671
Fundraising	16,304	-	-	16,304
Total expenses	568,154	-	-	568,154
Change in Net assets	(20,486)	(10,687)	-	(31,173)
Net assets, beginning of the year	69,880	41,726	-	111,606
Net assets, end of year	\$ 49,394	\$ 31,039	\$ -	\$ 80,433

See accompanying auditors' report and notes to financial statements.

RAINFOREST PARTNERSHIP
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2011

Expense Category	Program Services		Fundraising	Totals
	Rainforest Partnership	Management & General		
Personnel costs	\$ 48,432	\$ 4,429	\$ -	\$ 52,861
Fundraising services	-	-	16,304	16,304
Professional fees	331,823	38,102	-	369,925
Advertising & promotion	4,725	543	-	5,268
Office expenses	25,640	306	-	25,946
Information technology	1,247	177	-	1,424
Occupancy	25,804	2,962	-	28,766
Travel	11,350	1,204	-	12,554
Conferences & meetings	2,000	229	-	2,229
Depreciation	139	7,355	-	7,494
Insurance	3,167	364	-	3,531
Project Chipaota	21,320	-	-	21,320
Project Colibri	10,142	-	-	10,142
Project Sani Isla	10,123	-	-	10,123
Outreach/education in U.S.	267	-	-	267
Totals	\$ 496,179	\$ 55,671	\$ 16,304	\$ 568,154

See accompanying auditors' report and notes to financial statements.

RAINFOREST PARTNERSHIP
(A Nonprofit Corporation)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

Cash Flows From Operating Activities	
Increase (decrease) in net assets	\$ (31,173)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,494
Donated furniture and computers	(2,791)
Decrease (increase) in:	
Accounts receivable	3,500
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>5,430</u>
Net Cash Provided by Operating Activities	<u>(17,540)</u>
Cash Flows From Investing Activities:	
Purchases of equipment	(2,043)
Investment fee	<u>120</u>
Net Cash Used by Investing Activities	<u>(1,923)</u>
Net Increase in Cash	(19,463)
Cash, beginning of the year	<u>59,639</u>
Cash, end of the year	<u><u>\$ 40,176</u></u>

See accompanying auditors' report and notes to financial statements.

RAINFOREST PARTNERSHIP
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. General Information

The Rainforest Partnership (the Corporation) is an international non-profit social enterprise committed to protecting tropical rainforests. We partner with communities in Latin America to develop sustainable economic alternatives to deforestation, making it more valuable for them to keep their forests standing. By creating a global network – linking people to people, community to community – we act as a catalyst to create long-term economic and environmental sustainability.

Using a root-up approach, Rainforest Partnership matches the needs and desires, culture, knowledge and skill of local communities to economic development opportunities unique to each individual forest.

- Our experienced local teams work directly with our partner communities to help create economically and ecologically long-term sustainable income sources.
- Our partner communities are protecting their forests into the future because it is now more valuable standing than cut down.

Summary of successes to date include:

- Preserved 9,000 acres of rainforest in Peru.
- Helped 40 women create a sustainable income source in Ecuador and Peru.
- Created a community-owned business for 40 families in Peru.
- Projects supported by in-country local team members and partners.
- Four projects in two countries in four years.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Contributions received are recorded as unrestricted, temporarily restricted and permanently restricted support depending on the existence or nature of donor stipulations. Contributions whose restrictions are met in the same period they are received are classified as unrestricted contributions in the statement of activities.

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations which expire when the stipulated purpose for which the resource was restricted has been fulfilled.

RAINFOREST PARTNERSHIP
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NOTES TO FINANCIAL STATEMENTS

December 31, 2011

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation.

Cash and Equivalents

For the purpose of the statements of cash flows, the Corporation considers cash and highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments

Investments consist of debt and equity securities and are recorded at market value.

Property and Equipment

Property and equipment are recorded at cost or fair market value if donated. The costs of significant improvements or renovations are capitalized. Costs of routine repairs and maintenance are charged to expense as incurred. Depreciation is calculated using the straight-line method over estimated lives of three to seven years. Assets purchased with a cost in excess of \$200 are capitalized.

Federal Income Taxes

The Corporation is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3).

Functional Accounting

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk

Financial instruments which potentially subject the Corporation to credit risk consist of cash and cash equivalents, and accounts receivable. The Corporation's deposits did not exceed the federal depository insurance limits as of December 31, 2011. The Corporation does not require collateral prior to issuing credit for receivables.

RAINFOREST PARTNERSHIP
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NOTES TO FINANCIAL STATEMENTS

December 31, 2011

3. Fair Value Measurements and Disclosures

The requirements of *Fair Value Measurements and Disclosures* of the Accounting Standards Codification apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is defined as 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. *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following table represents assets and liabilities reported on the statement of financial position at their fair value as of December 31, 2011 by level within the fair value measurement hierarchy.

<u>Description</u>	<u>Amount</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable inputs (Level 3)</u>
Investments held at the Austin Community Foundation	\$19,868	\$19,868	-	-

The fair value of the Corporation's cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate the carrying amounts of such instruments due to their short maturity.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2011

4. Property and Equipment

Major classes of property and equipment consisted of the following:

Furniture and fixtures	\$ 10,807
Computer & related equipment	26,411
Other assets	<u>775</u>
	37,993
Less accumulated depreciation	<u>(11,774)</u>
Property and equipment, net	<u><u>\$ 26,219</u></u>

Depreciation expense for the year ended December 31, 2011 was \$7,494.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of restricted grant funds for the Rainforest Partnership program in 2012 and the Rainforest Partnership Endowment Fund held at the Austin Community Foundation.

Rainforest Partnership program	\$ 11,171
Rainforest Partnership Endowment Fund	<u>19,868</u>
Total	<u><u>\$ 31,039</u></u>

In 2010, the Rainforest Partnership Endowment Fund (the Fund) was established with the Austin Community Foundation. The Fund is a quasi-endowment fund. Under terms of the agreement, all of the income and principal of the Fund are available for distribution upon request by the Rainforest Partnership. Since the principal is available for distribution, the Fund has been classified as temporarily restricted instead of permanently restricted.

The Fund had no investment income for the year. The balance of the Fund at December 31, 2011 was \$19,868.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2011

7. Lease Commitments

The Corporation leases its administration office under a month-to-month lease agreement that began May 1, 2009. The monthly lease payments have been waived as a donation from the owner. Total in-kind rental expense for 2011 was \$24,000.

8. In-Kind Contributions

The Corporation received \$427,966 of in-kind contributions during 2011. The in-kind contributions are included in the Rainforest Partnership programs, management and general, fundraising activities and fixed assets. Below is a breakdown of in-kind contributions for 2011.

Fundraising	\$	9,513
Interns		13,519
Marketing and promotion		4,418
Office supplies		4,707
Equipment		3,111
Professional services		363,069
Rent		24,000
Travel		5,629
Total in-kind contributions	\$	<u>427,966</u>

9. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. We have evaluated subsequent events through the issuance date of the audit report, August 8, 2012, and noted the following subsequent event for disclosure:

On April 30, 2012, the Partnership executed a promissory note loan from the Executive Director in the amount of \$12,750 with an interest rate of 5% per annum. Repayment terms include a principal payment on June 1, 2012, in the amount of \$5,000 plus any accrued interest. Monthly installments of accrued interest are due on the first of each month from July to December, 2012. The remaining principal balance of the note plus any accrued interest is due in full on December 31, 2012.