

**RAINFOREST FOUNDATION, INC.**

*Financial Statements*

*Year Ended December 31, 2010*

**RAINFOREST FOUNDATION, INC.**

*Financial Statements*

*Year Ended December 31, 2010*

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*Independent Auditors' Report*

To the Board of Trustees of  
Rainforest Foundation, Inc.  
New York, New York

We have audited the accompanying statement of financial position of Rainforest Foundation, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization'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 Rainforest Foundation, Inc.'s 2009 financial statements and, in our report dated August 13, 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 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 Rainforest Foundation, Inc. as of December 31, 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.

Metis Group Certified Public Accountants LLC  
New York, New York  
April 11, 2011

# RAINFOREST FOUNDATION, INC.

## Statement of Financial Position

December 31, 2010

(with summarized comparative information as of December 31, 2009)

<i>Assets</i>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 212,334	\$ 351,956
Investments	6,149	2,702
Accounts receivable	69,552	39,840
Prepaid expenses and other current assets	1,600	11,550
Fixed assets, net	16,453	6,630
Security deposit	12,660	20,642
 <i>Total assets</i>	 <u>\$ 318,748</u>	 <u>\$ 433,320</u>
 <i>Liabilities and Net Assets</i>		
 <i>Liabilities</i>		
Accounts payable	\$ 35,258	\$ 20,143
Payroll taxes payable	6,469	5,745
Deferred rent	9,883	-
 <i>Total liabilities</i>	 <u>51,610</u>	 <u>25,888</u>
 <i>Net assets</i>		
Unrestricted	267,138	407,432
 <i>Total net assets</i>	 <u>267,138</u>	 <u>407,432</u>
 <i>Total liabilities and net assets</i>	 <u>\$ 318,748</u>	 <u>\$ 433,320</u>

**RAINFORREST FOUNDATION, INC.**

*Statement of Activities and Changes in Net Assets*

*Year Ended December 31, 2010*

*(with summarized comparative totals for the year ended December 31, 2009)*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2010 Total</i>	<i>2009 Total</i>
<b><i>Revenue and support:</i></b>				
Individuals	\$ 212,240	\$ -	\$ 212,240	\$ 173,738
Foundations	11,701	22,587	34,288	64,547
Corporations	101,129	31,730	132,859	9,579
Other non-profit support	612,977	-	612,977	264,398
Special event revenue	-	-	-	1,500
Contributed goods and services	41,104	-	41,104	37,080
Interest and dividends	1,734	-	1,734	2,314
Other income	7,095	-	7,095	14,016
Investment income	914	-	914	259
<i>Net assets released from restrictions</i>	54,317	(54,317)	-	-
<b><i>Total revenue and support</i></b>	<b>1,043,211</b>	<b>-</b>	<b>1,043,211</b>	<b>567,431</b>
<b><i>Expenses:</i></b>				
Program services	965,240	-	965,240	694,104
General and administration	122,707	-	122,707	103,535
Fundraising	95,558	-	95,558	74,387
<b><i>Total expenses</i></b>	<b>1,183,505</b>	<b>-</b>	<b>1,183,505</b>	<b>872,026</b>
<b><i>Changes in net assets</i></b>	<b>(140,294)</b>	<b>-</b>	<b>(140,294)</b>	<b>(304,595)</b>
<b><i>Net assets, beginning</i></b>	<b>407,432</b>	<b>-</b>	<b>407,432</b>	<b>712,027</b>
<b><i>Net assets, ending</i></b>	<b>\$ 267,138</b>	<b>\$ -</b>	<b>\$ 267,138</b>	<b>\$ 407,432</b>

# RAINFOREST FOUNDATION, INC.

## Statement of Cash Flows

Year Ended December 31, 2010

(with summarized comparative information for the year ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
<b><i>Cash flows from operating activities:</i></b>		
Changes in net assets	\$ (140,294)	\$ (304,595)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	4,276	2,352
Unrealized gain on investments	(914)	(48)
Realized gain on investments	-	(211)
Donation of fixed assets	(4,024)	-
Changes in:		
Accounts receivable	(29,712)	951
Accounts payable	15,115	1,542
Accrued expenses	-	(5,000)
Payroll taxes payable	724	2,873
Prepaid expenses and other current assets	9,950	(11,550)
Security deposits	7,982	(12,661)
Deferred rent	9,883	-
Net cash used in operating activities	<u>(127,014)</u>	<u>(326,347)</u>
<b><i>Cash flows from investing activities:</i></b>		
Purchase of investments	(2,533)	(2,549)
Proceeds from sales of investments	-	2,721
Purchase of fixed assets	<u>(10,075)</u>	<u>(900)</u>
Net cash used in investing activities	<u>(12,608)</u>	<u>(728)</u>
<i>Net decrease in cash and cash equivalents</i>	<u>(139,622)</u>	<u>(327,075)</u>
<i>Cash and cash equivalents, beginning</i>	<u>351,956</u>	<u>679,031</u>
<i>Cash and cash equivalents, ending</i>	<u>\$ 212,334</u>	<u>\$ 351,956</u>

The accompanying notes are an integral part of these financial statements.

**RAINFOREST FOUNDATION, INC.**

***Statement of Functional Expenses***

***Year Ended December 31, 2010***

*(with summarized comparative totals for the year ended December 31, 2009)*

	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administration</u>	<u>Fundraising</u>	<u>2010</u> <u>Total</u>	<u>2009</u> <u>Total</u>
Salaries	\$ 253,054	\$ 77,529	\$ 53,428	\$ 384,011	\$ 292,784
Payroll taxes	22,778	6,978	4,808	34,564	27,393
Employee benefits	61,805	18,935	13,046	93,786	63,219
Bank and credit card charges	2,338	338	141	2,817	2,269
Calendar expenses	-	-	32	32	172
Computer expenses	4,791	693	289	5,773	6,140
Consultants	52,423	7,579	4,248	64,250	19
Contributed goods and services	37,080	-	-	37,080	37,080
Depreciation	4,276	-	-	4,276	2,352
Dues and memberships	519	75	31	625	754
Education and outreach	4,347	-	-	4,347	2,875
Filing fees	868	126	52	1,046	1,625
Insurance	2,438	353	146	2,937	2,733
Interest	185	27	11	223	-
Meeting expenses	-	-	-	-	610
Office expenses	9,715	1,405	586	11,706	1,021
Payroll processing	174	25	10	209	433
Postage and delivery	705	102	42	849	1,325
Professional fees	5,561	804	335	6,700	9,932
Project payments	409,126	-	-	409,126	327,074
Printing and publication	69	10	4	83	6,249
Real estate taxes	360	52	22	434	2,161
Rent	39,726	5,744	2,393	47,863	46,510
Miscellaneous fundraising expenses	-	-	11,928	11,928	3,281
Supplies and stationery	1,968	284	119	2,371	652
Telephone	4,932	713	297	5,942	6,597
Training	606	88	37	731	-
Travel	41,551	291	3,321	45,163	20,268
Utilities	3,845	556	232	4,633	6,498
<b><i>Total expenses</i></b>	<b><u>\$ 965,240</u></b>	<b><u>\$ 122,707</u></b>	<b><u>\$ 95,558</u></b>	<b><u>\$ 1,183,505</u></b>	<b><u>\$ 872,026</u></b>

# RAINFOREST FOUNDATION, INC.

## *Notes to Financial Statements*

*December 31, 2010*

### **Note 1 - Organization**

The Rainforest Foundation, Inc. (the "Organization") was incorporated in 1988 in accordance with State of California Not-For-Profit Corporation Law. The mission of the Organization is to support indigenous people and traditional populations of the rainforest in their efforts to protect their environment and fulfill their rights. The Organization assists them in:

"Securing and controlling the natural resources necessary for their long term well being and managing these resources in ways which do not harm their environment, violate their culture, or compromise their future"

"Developing the means to protect their individual and collective rights and obtain, shape and control basic services from the state."

### **Note 2 – Summary of Significant Accounting Policies**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

#### ***Financial Statement Presentation***

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organizations*, 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.

*Unrestricted Net Assets* – consist of assets, public support, program revenues and investment earnings which are available and used for charitable activities, operations and programs. Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by donor.

*Temporarily Restricted Net Assets* – include funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified, and are satisfied either by passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts, and investment income earned on restricted funds.

**RAINFOREST FOUNDATION, INC.**

*Notes to Financial Statements*

*December 31, 2010*

*Note 2 – Summary of Significant Accounting Policies (Continued)*

***Financial Statement Presentation (Continued)***

*Permanently Restricted Net Assets* – include resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the organization to expend part or all of the income derived from the donated assets.

***Cash and Cash Equivalents***

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash and or cash equivalents. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Fair value approximates carrying amounts.

***Investments***

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

***Fixed Assets***

Fixed assets are stated at cost, if purchased, or if donated, at fair market value at the date of receipt. The cost of maintenance, repairs, and minor renewals are expensed as incurred and renewals and betterments are capitalized. The Organization capitalizes additions and significant improvements in excess of \$1,000. Depreciation is computed using the straight-line method over estimated useful lives of the assets as follows:

Computer and software	3-5 years
Furniture and equipment	5 years

***Revenue Recognition***

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

# RAINFOREST FOUNDATION, INC.

## *Notes to Financial Statements*

*December 31, 2010*

### *Note 2 – Summary of Significant Accounting Policies (Continued)*

#### ***Contributions***

The Organization follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Accounting for Contributions Received and Contributions Made*. This financial accounting standard requires that contributions be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gift of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until restriction conditions are satisfied, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

#### ***Contributed Goods and Services***

The Organization records various types of in kind support including contributed professional services, advertising and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Contributions of tangible assets are recognized at fair market value when received.

Additionally, the Organization receives a significant amount of skilled, contributed time, which does not meet the two recognition criteria as described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

#### ***Functional Allocation of Expenses***

The Organization allocates their expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and/or support services are allocated directly according to their natural expenditure classification.

# RAINFOREST FOUNDATION, INC.

## *Notes to Financial Statements*

*December 31, 2010*

### *Note 2 – Summary of Significant Accounting Policies (Continued)*

#### *Tax Status*

The Organization is a not-for-profit organization incorporated under the laws of the State of California and registered in the State of New York and New Jersey. The Internal Revenue Service has determined that the Organization is exempt under IRC Section 501(c) (3) of the United States Internal Revenue Code and is determined to be an organization, which is not a private foundation and accordingly, does not provide for state and federal income taxes.

#### *Use of Estimates and Assumptions*

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization's management to make estimates and assumptions. These affect the reported amounts of assets and liabilities, and disclosures 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 and assumptions.

#### *Recent Accounting Pronouncements*

FASB Accounting Standards Codification: In June 2009, the FASB issued accounting guidance to establish the FASB Accounting Standards Codification (ASC or Codification) to become the source of authoritative U.S. generally accepted accounting principles (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities. All other accounting literature not included in the Codification will be considered non-authoritative. The Codification does not change current U.S. GAAP. Reference to authoritative U.S. GAAP literature in the Organization's financial statements and the notes thereto in this report have been updated to include the new Codification.

# RAINFOREST FOUNDATION, INC.

## *Notes to Financial Statements*

*December 31, 2010*

### *Note 3 – Fair Value Measurements*

Financial Accounting Standards Board Statement ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement ASC 820 are described below:

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2      Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of investments appearing on the statement of financial position has the following valuation approaches as defined by FASB ASC 820 hierarchy:

- Assets utilizing Level 1 inputs include stocks, which amounted to \$6,149 and \$2,702 as of December 31, 2010 and 2009, respectively. There are no liabilities utilizing Level 1 inputs.
- There are no assets and liabilities utilizing Level 2 inputs.
- There are no assets and liabilities utilizing Level 3 inputs.

**RAINFOREST FOUNDATION, INC.**

*Notes to Financial Statements*

*December 31, 2010*

**Note 4 – Investments**

Investments are recorded at fair value. The value assigned to investments received by gift is the fair value at the date of donation. Investments at December 31, 2010 and 2009 are comprised of the following:

	<i>2010</i>		
	<i>Fair Value</i>	<i>Cost</i>	<i>Unrealized Gain/ (Loss)</i>
Equity funds	\$ 6,149	\$ 5,165	\$ 984
Total	\$ 6,149	\$ 5,165	\$ 984
	<i>2009</i>		
	<i>Fair Value</i>	<i>Cost</i>	<i>Unrealized Gain/ (Loss)</i>
Equity funds	\$ 2,702	\$ 2,632	\$ 70
Total	\$ 2,702	\$ 2,632	\$ 70

Investment earnings for the years ended December 31, are as follows:

	<i>2010</i>	<i>2009</i>
Interest and dividend income	\$ 1,734	\$ 2,314
Realized gain on investments	-	211
Unrealized gain on investments	914	48
Total	\$ 2,648	\$ 2,573

# RAINFOREST FOUNDATION, INC.

## Notes to Financial Statements

December 31, 2010

### Note 5 – Fixed Assets

At December 31, 2010 and 2009, fixed assets consisted of the following:

	<u>2010</u>	<u>2009</u>
Computers	\$ 27,947	\$ 25,459
Computer software	20,149	16,125
Furniture and equipment	<u>13,849</u>	<u>6,262</u>
	61,945	47,846
Less accumulated depreciation	<u>(45,492)</u>	<u>(41,216)</u>
Fixed assets, net	<u>\$ 16,453</u>	<u>\$ 6,630</u>

Depreciation expenses for the fiscal years 2010 and 2009 were \$4,276 and \$2,352, respectively.

### Note 6 – Leases

On October 14, 2009, the Organization entered into the lease for its office space for five years. The term of the lease began on January 1, 2010 and is ending on December 31, 2014. A base monthly rent is \$4,220 for the fiscal year 2010, \$4,347 for the fiscal year 2011, \$4,477 for the fiscal year 2012, \$4,611 for the fiscal year 2013, and \$4,750 for the fiscal year 2014 plus escalation clauses for operating expenses and utilities. The lease agreement additionally stipulated the rent credit in the amount of \$8,440 which will be applied in four equal monthly installments of \$2,110 each against the second, third, fourth, and fifth period of the lease. Accordingly, a liability for this reduction is being amortized over the five-year lease term. The amount of the subsidy will be \$141 for the remaining term of the lease. Total rental payments for the years ended December 31, 2010 and 2009 were \$47,863 and \$46,510, respectively. The future minimum lease payments, exclusive of escalation clauses, are as follows:

<i>Years</i>	<i>Minimum Lease Payments</i>
2011	\$ 52,159
2012	53,724
2013	55,336
2014	56,996

# RAINFOREST FOUNDATION, INC.

## *Notes to Financial Statements*

*December 31, 2010*

### ***Note 7 – Description of Programs and Projects***

The Organization has done extensive work in Guyana, Panama, Brazil, Ecuador, and Brazilian Amazon. The Organization's programs help indigenous groups secure and control their lands and natural resources and develop the means to protect their individual and collective rights. The projects, upon which the Organization worked in 2010, are listed below.

#### *Promoting the Rights of Panama's Indigenous Peoples in Climate Change Initiatives*

This project seeks to promote the informed engagement of indigenous communities with policy makers and donors regarding programs for reduced emissions from deforestation and forest degradation (REDD).

Location: Panama

Partner: Foundation for the Promotion of Indigenous Knowledge (FPCI)

Project description:

Background: Programs for reduced emissions from deforestation and forest degradation – known as REDD – are intended to help avert rainforest destruction and provide social and economic benefits to forest peoples. Depending on how REDD initiatives are carried out, however, they also risk establishing perverse incentives and top-down models for forest protection, leading to land grabs and unfair distribution of benefits.

Panama was one of the first countries to focus on REDD issues through the World Bank and UN programs, and has also explored options for entering into private carbon markets. Panama retains vast tracts of intact tropical rainforests, approximately 30% of which overlap indigenous territories. In order to implement REDD programs, the government and these agencies must therefore consult indigenous peoples. To date, the consultation processes in Panama have not incorporated feedback from indigenous peoples, and the principal outcome has been indigenous groups requesting more information about REDD. Meanwhile, the government continues to apply pressure to endorse initiatives without incorporating input from indigenous communities. This project therefore seeks to build community capacity and to provide indigenous leaders with the tools needed to engage proactively on REDD issues with national and international policymakers.

Activities:

- A national workshop on REDD and indigenous peoples
- Community meetings and workshops
- Development of a common strategy with indigenous peoples and NGOs across Panama
- Targeted advocacy and networking at the national and international levels

# RAINFOREST FOUNDATION, INC.

## *Notes to Financial Statements*

*December 31, 2010*

### *Note 7 – Description of Programs and Projects (Continued)*

#### *Wounaan Land Titling Project*

This project seeks to support the Wounaan people of Panama in obtaining full recognition of their traditional lands.

Location: Panama

Partner: Foundation for the Development of the Wounaan People

#### Project description

Background: The Wounaan number some 8,000 people living in communities spread throughout eastern Panama. With the exception of a few communities, none of their lands have been recognized by the government. Twelve Wounaan communities, numbering about 7,000 people, have never held formal legal title to any of the lands where they have lived and on which they have depended for generations. Their lands have been invaded by outsiders, who cleared the forest for cattle-raising, agriculture, and other development projects. The territories claimed by the communities include significant swaths of largely untouched rainforests, some of the most intact mangrove and lowland forest ecosystems in Panama, and ecologically important rivers and estuaries.

In response to pressure from indigenous groups, in late 2008 the Panamanian Congress passed a law to facilitate the demarcation of traditional indigenous lands. Wounaan leaders immediately began the procedures necessary to have their lands recognized, and were able to navigate the initial steps in titling their collective lands. One of the critical steps in this process is the establishment of written community regulations for land and forest management. This project will therefore support the legal research and community meetings needed to develop the regulations, and subsequent negotiations with the government. It will also support the Wounaan in strengthening their organization so it can take on these challenges.

#### Activities:

- Community meetings and workshops
- Participatory development of community regulations
- Negotiations with government agencies regarding full recognition of Wounaan traditional lands
- Support for the Wounaan Foundation

**RAINFOREST FOUNDATION, INC.**

*Notes to Financial Statements*

*December 31, 2010*

**Note 7 – Description of Programs and Projects (Continued)**

*Strengthening Indigenous Women and their Communities*

A crafts training and marketing program aimed at providing income-generation opportunities for indigenous women in the state of Roraima, and strengthening their organization.

Location: Roraima, Northern Brazil

Partner: Organization of Indigenous Women of Roraima (OMIR)

Project description

Background: The state of Roraima, in Northern Brazil, is home to the Ingaricó, Macuxi, Patamona, Taurepang, Wai Wai, Waimiri-Atroari, Wapichana, Yanomami and Yekuana peoples, totaling over 40,000 people. Indigenous peoples in the state have sought to maintain their traditional ways of life, despite growing development pressures. They are also increasingly seeking sustainable income-generating activities. Indigenous women are often at the head of such initiatives, given their attachment to their land, culture, and families. The Organization of Indigenous Women of Roraima (OMIR) works with women from all nine indigenous peoples of Roraima, and focuses on promoting the role of women in their communities.

Through this project, OMIR seeks to promote traditional crafts as a way to strengthen community ties and cultural traditions in an environmentally sustainable manner. By providing women with income generating skills, they also seek to empower women to counter problems such as domestic violence and alcoholism. This project, currently in its third year, seeks to build the structural foundations for increased craft sales, and to strengthen OMIR as an independent organization.

RF-US is currently seeking pro-bono marketing and graphic design expertise to support this project; please contact Program Director Christine Halvorson if you are interested and have skills to share.

Activities:

- Community crafts workshops led by master craftswomen
- Leadership skills building
- Improvement of tracking, quality control, administration, and accounting systems
- Identification of sales venues and participation in crafts fairs

# RAINFOREST FOUNDATION, INC.

## *Notes to Financial Statements*

*December 31, 2010*

### *Note 7 – Description of Programs and Projects (Continued)*

#### *Guaranteeing Shuar territorial rights and resources*

This project seeks to support the Shuar of Ecuador's Transkutuku region in consolidating their land rights; developing joint strategy for territorial protection and management; pursuing sustainable income generation initiatives; and building a strong representative organization.

Location: Ecuador

Partner: Shuar Nation of Ecuador (NASHE)

#### Project description

Background: Recent developments in Ecuador have brought both challenges and opportunities for indigenous peoples. On the one hand, the government has recognized greater autonomy and rights for indigenous peoples, but on the other it has also granted concessions for oil and mining, and introduced new laws that would essentially open the Amazon to large-scale development. In face of these developments, it is critical to support indigenous peoples in obtaining rights to their lands, and in supporting their informed participation in the decisions that will affect them.

The Rainforest Foundation has been supporting the Shuar of the Transkutuku, a region in the southern Ecuadorean Amazon, for the past five years. The project has helped them secure title to over 700 square miles of land. It has also worked with communities to define regulations for use of lands and natural resources, and has supported a pilot sustainable development project in one community. The Shuar currently face both threats and opportunities, however, stemming from government plans for oil and mining in the Amazon; a road which is being built through their territory; and, simultaneously, government recognition of greater autonomy for indigenous peoples. The primary goals of this project are therefore to provide the Shuar with the tools necessary to address both these threats and opportunities in order to safeguard their recent gains into the future. The project combines campaigning; hands-on management training; community-wide meetings; and developing skills, tools and pilot projects needed to support their organization into the future.

#### Activities:

- Implementation of pilot sustainable development projects, including a nursery
- Development of a community-based strategy for self-government and territorial defense
- Dissemination of information and development of joint strategy regarding oil development on Shuar lands
- Hands-on management training for Shuar leadership

# RAINFOREST FOUNDATION, INC.

## *Notes to Financial Statements*

*December 31, 2010*

### *Note 7 – Description of Programs and Projects (Continued)*

#### *Building Community Understanding of the Impacts of the Belo Monte Dam*

This project will provide communities that would be impacted by Belo Monte Dam with information on the dam's impacts and the mechanisms available to assert their rights, and promote their active participation in the decisions that affect them.

Location: state of Pará, Brazilian Amazon

Partner: Xingu Alive Forever Coalition

#### Project description

Background: The Xingu River is one of the Amazon's most important. It lies at the heart of an immense mosaic of protected areas, and is home to some 40,000 people. As part of its development and energy security plans, however, the Brazilian government is planning to build what would be the world's third largest dam on the river. The dam, called Belo Monte, would have enormous impacts on the lower and middle Xingu, directly impacting an area of more than 580 square miles, severely affecting some 20,000 people living along the Xingu's "Big Bend", which would be dried out as water is diverted to the power house, and displacing another 20,000 people in the town of Altamira and surrounding farmlands. The dam would also deplete fish, a main source of food, and the population of the region would more than double, increasing the levels of deforestation in the area.

The plans for Belo Monte are not new. In 1989, indigenous peoples and their supporters (including founder of the Rainforest Foundation, Sting) gathered in Altamira and successfully halted plans for five large dams on the Xingu and its tributary, the Irirí, which would have flooded over 7,500 square miles of the rainforest, including indigenous reserves. Recently, however, the Brazilian government developed a new engineering design which calls for only one dam – now dubbed Belo Monte – to be built. Rather than flooding a large area, the dam would instead dry out a large stretch of the river. Given the dam's inefficiency, generating little energy during the four-month low-water season, experts also believe that if it were built, additional dams would be needed upstream to guarantee Belo Monte's viability year-round.

The licensing process for Belo Monte has been extremely hurried, without proper observance of Brazilian environmental law and constitutional requirements that indigenous peoples be consulted regarding such projects on their lands. Communities have requested further information, and demanded that their rights be respected. This project, then, seeks to provide scientific information on the dam's impacts, as well as information on the various mechanisms and tools available to assert their rights and make their voices heard. It further seeks to engage these communities in dialogue with the government, electric company, media, and the general public.

# RAINFOREST FOUNDATION, INC.

## *Notes to Financial Statements*

*December 31, 2010*

### *Note 7 – Description of Programs and Projects (Continued)*

#### Activities:

- Community meetings and workshops in areas that would be affected by Belo Monte
- Development of joint strategies among indigenous and other peoples in the region
- Engagement of community leaders in dialogue with government agencies
- Provision of information to decision makers and the general public

#### *Supporting Yanomami Advocacy*

Training a new generation of Yanomami leaders so they can protect and manage their lands and forest.

Location: Roraima, Northern Brazil

Partner: Hutukara Yanomami Association

#### Project description

Background: The Yanomami people of Brazil (and across the border in Venezuela) remain relatively isolated, living in communities deep in the forest of the Northern Amazon. In 1992, the Brazilian government recognized their lands and set them aside in a 37,000 square-mile territory. Despite their remoteness and the success they enjoyed in having their lands recognized, the Yanomami continue to face pressure from ranchers, gold miners, and others. The three main issues facing the Yanomami today are the presence of ranchers; invasions by gold miners; and ensuring quality healthcare.

In order to address these challenges, the Yanomami created their own association, called Hutukara, in 2004. Soon thereafter, the Rainforest Foundation began supporting an innovative training program designed to prepare a group of young Yanomami leaders to be effective advocates and to carry the organization forward. This project provides administrative and leadership training, as well as support for advocacy efforts on the ground.

#### Activities:

- Advocacy work around mining, ranchers, and healthcare, on the local and national levels
- Documentation and dissemination of information regarding threats to Yanomami lands
- Hands-on management training for the group of young Yanomami leaders

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**Note 8 – Contributed Goods and Services**

The Organization recognized contributed goods and services for certain goods and services received at the fair market value. For the fiscal years 2010 and 2009, the Organization recognized the following contributed goods and services in the financial statements:

	<u>2010</u>	<u>2009</u>
Legal services	\$ 37,080	\$ 37,080
Software	<u>4,024</u>	<u>-</u>
Total	<u>\$ 41,104</u>	<u>\$ 37,080</u>

**Note 9 - Concentration of Credit Risk**

The Organization has concentrated its credit risk for cash by maintaining deposits in one bank. At times throughout the year, the Organization may maintain certain bank account balances in excess of the FDIC insured limits. The Organization does not have any collateral available to them from the bank to insure this credit risk, but maintaining deposits with high-quality financial institutions minimizes the risk.

Of the total revenue the organization received, 59% and 47% were from other non-profit support for the years ended December 31, 2010 and 2009, respectively.

**Note 10 – Summarized Comparative Information**

The financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. 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 the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

**Note 11 – Subsequent Events**

Subsequent events have been evaluated through April 11, 2011 which is the date the financial statements were available to be issued.