



RAINFOREST ACTION NETWORK

Financial Statements

*For the years ended
June 30, 2012 and 2011*

With Independent Auditors' Report

RAINFOREST ACTION NETWORK

(A California Not-For-Profit Corporation)

June 30, 2012

Our Mission

Rainforest Action Network campaigns for the forests, their inhabitants and the natural systems that sustain life by transforming the global marketplace through education, grassroots organizing, and non-violent direct action.

Our Programs

Rainforest Action Network, a savvy, hard-hitting environmental action organization, has won more than a dozen landmark commitments from America's largest corporations, including Citi, Home Depot, Goldman Sachs, Bank of America, Kinko's, Boise and Lowe's.

With some of the most talented environmental agitators in the business, we are committed to running successful campaigns that push companies to balance profits with principles; protect endangered forests and the communities that depend on them; transform North America's dirty energy expansion into a clean energy future; and combat global warming.

Board of Directors

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Randall Hayes	Secretary/Program Chair
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Rebecca Tarbotton
Executive Director

RAINFOREST ACTION NETWORK

(A California Not-For-Profit Corporation)

June 30, 2012

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RAINFOREST ACTION NETWORK

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Rainforest Action Network

We have audited the accompanying statements of financial position of Rainforest Action Network (a non-profit organization) as of June 30, 2012 and 2011 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of Rainforest Action Network management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized information on the statement of activities and changes in net assets has been derived from the Rainforest Action Network June 30, 2011 financial statements and, in our report dated September 21, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Action Network as of June 30, 2012 and 2011 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Regalia & Associates

Danville, California
September 10, 2012

RAINFOREST ACTION NETWORK

**Statements of Financial Position
June 30, 2012 and 2011**

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 1,136,151	1,445,016
Investments	-	25,319
Grants, pledges and contributions receivable (net)	433,434	495,858
Other receivables	5,704	1,050
Prepaid expenses and other current assets	43,396	41,097
Total current assets	<u>1,618,685</u>	<u>2,008,340</u>
Noncurrent assets:		
Grants, pledges and contributions receivable, long-term (net)	-	3,827
Property and equipment, net	38,060	29,662
Deposits	28,305	28,305
Total noncurrent assets	<u>66,365</u>	<u>61,794</u>
	<u>\$ 1,685,050</u>	<u>2,070,134</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 16,998	19,207
Accrued payroll liabilities	145,869	131,720
Deferred advances	-	281,180
Other liabilities	74,910	120,926
Total current liabilities	<u>237,777</u>	<u>553,033</u>
Net assets:		
Unrestricted	818,103	1,101,546
Temporarily restricted	629,170	415,555
Total net assets	<u>1,447,273</u>	<u>1,517,101</u>
	<u>\$ 1,685,050</u>	<u>2,070,134</u>

RAINFOREST ACTION NETWORK

Statement of Activities and Changes in Net Assets Year Ended June 30, 2012 *(With Comparative Results for the Year Ended June 30, 2011)*

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
<i>Changes in net assets:</i>				
Revenue and support:				
Public support and membership	\$ 746,445	31,507	777,952	771,376
Major gifts/family foundations	1,075,566	198,933	1,274,499	1,209,108
Grants and contributions	302,555	1,222,680	1,525,235	1,681,170
Special events income	271,485	-	271,485	321,973
Net assets released from restrictions	1,239,505	(1,239,505)	-	-
Total contributed income	3,635,556	213,615	3,849,171	3,983,627
Investment income	1,332	-	1,332	1,014
Royalties	-	-	-	126
Realized gains (losses) on investments	1,194	-	1,194	(170)
Change in present value of receivables	-	-	-	945
Other	81,604	-	81,604	79,029
Total other support	84,130	-	84,130	80,944
Total revenue and support	3,719,686	213,615	3,933,301	4,064,571
Expenses:				
<i>Program services</i>				
Public education	2,989,696	-	2,989,696	2,958,091
Education	24,508	-	24,508	113,791
<i>Supporting services</i>				
Management and general	237,413	-	237,413	252,777
Fundraising	751,512	-	751,512	630,091
Total expenses	4,003,129	-	4,003,129	3,954,750
Increase (decrease) in net assets	(283,443)	213,615	(69,828)	109,821
Net assets at beginning of year	1,101,546	415,555	1,517,101	1,407,280
Net assets at end of year	\$ 818,103	629,170	1,447,273	1,517,101

RAINFOREST ACTION NETWORK

**Statements of Cash Flows
Years ended June 30, 2012 and 2011**

	2012	2011
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ (69,828)	109,821
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	20,995	26,912
In-kind contributions	(37,055)	(13,170)
Change in present value of receivables	-	(945)
Changes in:		
Grants, pledges and contributions receivable, net	103,306	(33,320)
Other receivables	(4,654)	18,340
Prepaid expenses and other current assets	(2,299)	(11,891)
Accounts payable and accrued liabilities	(2,209)	(25,747)
Accrued payroll liabilities	14,149	(3,860)
Deferred advances	(281,180)	281,180
Other liabilities	(46,016)	(5,072)
	(304,791)	342,248
<i>Investing activities:</i>		
Net (acquisition) disposition of investments	25,319	(25,319)
Acquisition of property and equipment	(29,393)	(15,173)
	(4,074)	(40,492)
Cash used for investing activities		
Net increase (decrease) in cash and cash equivalents	(308,865)	301,756
Cash and cash equivalents at beginning of year	1,445,016	1,143,260
Cash and cash equivalents at end of year	\$ 1,136,151	1,445,016
<i>Additional cash flow information:</i>		
Interest paid	\$ -	-
State registration taxes paid	\$ 150	150

RAINFOREST ACTION NETWORK

**Statement of Functional Expenses
Year Ended June 30, 2012**

(with Summarized Financial Information for the Year Ended June 30, 2011)

	Year Ended June 30, 2011					2012 Total	2011 Total
	Program Services		Supporting Services				
	Programs	Public Education	Admin- istration	Fund- Raising	Common Costs		
Advertising and promotion	\$ 17,403	-	-	-	-	17,403	6,777
Bank charges and fees	-	-	-	14,011	4,678	18,689	15,730
Campaign supplies	9,671	-	-	-	-	9,671	10,044
Communication services	22,329	-	-	-	-	22,329	24,889
Contract services	209,091	-	84,944	28,731	13,482	336,248	390,808
Direct mail	78,400	-	-	40,348	-	118,748	126,368
Employee development and training	5,252	-	-	487	13,728	19,467	21,617
Equipment and software leases	-	-	-	-	24,964	24,964	10,936
Equipment maintenance and repair	-	-	-	-	100	100	12,595
Events	-	-	-	112,048	-	112,048	112,811
Grants to third parties	53,000	24,500	-	-	-	77,500	51,410
Insurance	-	-	9,703	-	6,142	15,845	14,858
Legal services	100	-	-	-	4,269	4,369	13,595
List rental	-	-	-	11,819	-	11,819	11,419
Meetings, conferences and conventions	36,277	-	2,286	10,821	4,949	54,333	44,982
Membership dues	1,113	-	-	2,345	70	3,528	9,976
Miscellaneous	14,950	-	823	1,938	4,222	21,933	16,112
Newsletters	21,290	-	-	2,925	-	24,215	32,433
Office supplies and equipment	8,694	-	162	1,249	14,071	24,176	21,956
Payroll processing fees	-	-	-	-	-	-	3,657
Photography / videography	13,282	-	-	4,692	-	17,974	10,476
Postage and shipping	3,675	8	336	11,348	2,838	18,205	22,492
Printing and copying	27,526	-	536	12,403	3,161	43,626	52,501
Professional fundraiser	-	-	-	-	-	-	23,027
Publication and subscriptions	29,785	-	200	595	98	30,678	33,604
Recruitment services	1,036	-	-	-	1,760	2,796	5,348
Rent, depreciation, utilities	4,750	-	-	-	381,041	385,791	399,500
Salaries, payroll taxes and benefits	1,739,128	-	110,924	358,397	51,196	2,259,645	2,184,603
Taxes, fees, fines, penalties	2,447	-	4,055	-	491	6,993	6,246
Telecommunications	30,405	-	177	2,125	18,250	50,957	48,111
Travel	210,634	-	45	6,091	3,538	220,308	176,129
Volunteer and intern expenses	4,082	-	-	-	-	4,082	2,646
Website	7,634	-	-	-	-	7,634	23,924
In-kind expenses	-	-	-	37,055	-	37,055	13,170
Common cost allocation	437,742	-	23,222	92,084	(553,048)	-	-
\$	2,989,696	24,508	237,413	751,512	-	4,003,129	3,954,750

See accompanying auditors' report and notes to financial statements.

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Notes to Financial Statements
June 30, 2012

1. Organization

Rainforest Action Network (RAN) was established in 1985 as a California nonprofit public charity corporation and has been working to protect rainforests and the human rights of those living in and around those forests. From its beginning, RAN has played a key role in strengthening the worldwide rainforest conservation movement through supporting activists in rainforest countries as well as organizing and mobilizing consumers and community action groups throughout the United States.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of RAN have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, RAN 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. RAN had no permanently restricted net assets as of June 30, 2012 and 2011.

Support and Revenue Recognition

RAN records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, donations and grants restricted by the donor for particular purposes are deemed to be earned and are reported as revenue and support when RAN has incurred expenditures in compliance with the specific restrictions. Such amounts received or receivable but not yet earned are included as temporarily restricted net assets on the statements of financial position.

Grants, Pledges and Contributions Receivable

Grants, pledges and contributions receivable are recognized as unrestricted or temporarily restricted contributed revenue when the contractual obligation is received. All receivables are reflected at their estimated net realizable value.

Allocation of Expenses

Shared expenses are allocated to program and supporting services based on an analysis of payroll expenditures and job position.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash, savings and deposits that have a maturity of less than three months when acquired. Funds placed in money market accounts and related securities with readily determinable market values are reported at fair value with gains and losses included on the statement of activities and changes in net assets

RAN follows the provisions of ASC 958.320, *Investments of Not-for-Profit Entities* and has estimated the fair value of its cash and cash equivalents using available market information and other valuation methodologies. The estimates are based on pertinent information available to management as of June 30, 2012. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Investments

RAN follows the provisions of *Accounting Standards Update (ASU) 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs* [effective December 15, 2011] and estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts RAN could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2012. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the fair values at June 30, 2012.

Investments consist of corporate securities. Purchased investments are initially stated at cost and subsequently at fair value. RAN's policy is to record investments received by gift at fair value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

Property and Equipment

Property and equipment purchased by RAN is stated at cost. Property and equipment donated to RAN is recorded at estimated fair value as of the date of the gift. Maintenance and repairs are charged to expense as incurred. Furnishings, equipment and leasehold improvement are depreciated using the straight-line method over the estimated useful lives of the assets which range from three to seven years.

Use of Estimates

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

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing RAN's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain amounts in 2011 have been reclassified to conform to the 2012 financial statement presentation.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, RAN is required to report information regarding its exposure to various tax positions taken by RAN and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that RAN has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Management believes that RAN has adequately evaluated its current tax positions and has concluded that as of June 30, 2012, RAN does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

RAN has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that RAN continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. RAN may periodically receive unrelated business income requiring RAN to file separate tax returns under federal and state statutes. Under such conditions, RAN calculates, accrues and remits the applicable taxes.

3. Cash and Cash Equivalents and Concentration Risk

Cash and cash equivalents at June 30, 2012 and 2011 include all funds in banks and outside brokerage firms (checking, savings, and money market funds) with maturity dates of three months or less. At June 30, 2012, certain deposits exceeded the federally insured limit of \$250,000. RAN attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated. The composition of cash and cash equivalents are as follows at June 30, 2012 and 2011:

	June 30, 2012	June 30, 2011
Checking	\$ 527,619	933,418
Savings	600,182	458,224
Schwab money market funds	8,350	53,374
Dreyfus government prime funds	-	-
	\$ 1,136,151	1,445,016

Funds in savings and money market accounts bear interest at rates ranging from .01% to .25% per annum as of June 30, 2012.

Notes to Financial Statements

4. Investments and Investment Income

Investments consist of equities (stocks) housed with an outside brokerage firm. The estimated cost basis and fair value of investments are as follows at June 30, 2012 and 2011:

	June 30, 2012		June 30, 2011	
	Estimated Cost Basis	Fair Value	Estimated Cost Basis	Fair Value
Equities	\$ -	-	\$ 25,319	25,319
Totals	\$ -	-	\$ 25,319	25,319

Net investment income (including interest earned on cash and cash equivalents) amounted to \$1,332 and \$1,014 for the years ended June 30, 2012 and 2011, respectively. During the years ended June 30, 2012 and 2011, there were net realized gains (losses) of \$1,194 and (\$170), respectively, related to RAN's holdings. There were no unrealized gains or losses for the years ended June 30, 2012 and 2011.

Fair Value Measurements for Cash and Cash Equivalents and Investments

Composition of Cash and Cash Equivalents and Investments utilizing fair value measurements at June 30, 2012 is as follows:

	Total	Level 1	Level 2	Level 3
<i>Cash and Cash Equivalents</i>				
Checking and savings	\$ 1,127,801	1,127,801	-	-
Schwab money market funds	8,350	8,350	-	-
Subtotal cash and cash equivalents	1,136,151	1,136,151	-	-
<i>Investments</i>				
Equities	-	-	-	-
Totals	\$ 1,136,151	1,136,151	-	-

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. RAN had no marketable assets classified as Level 2 or Level 3 at June 30, 2012.

RAN's investment holdings at June 30, 2011 were temporary in nature and were converted to cash and cash equivalents during the month of July 2011. RAN maintains a brokerage account to accommodate certain donors who contribute stocks, equities, mutual funds, and other securities in lieu of cash donations.

Notes to Financial Statements

5. Grants, Pledges and Contributions Receivable

Total grants, pledges and contributions receivable (short and long-term components) of \$433,434 and \$499,685 at June 30, 2012 and 2011, respectively, represent funds due from various individuals and organizations. As of June 30, 2012, all of the receivables are due within one year from the date of the statement of financial position and management considers all amounts to be fully collectible. Accordingly, management has not established an allowance for estimated uncollectible receivables.

6. Property and Equipment

Property and equipment consist of the following at June 30, 2012 and 2011:

	2012	2011
Furniture and equipment	\$ 139,364	122,413
Leasehold improvements	36,926	36,926
Less: accumulated depreciation	(138,230)	(130,110)
	\$ 38,060	29,662

Depreciation expense amounted to \$20,995 and \$26,912 for the years ended June 30, 2012 and 2011, respectively. During the years ended June 30, 2012 and 2011, RAN wrote off \$12,875 and \$14,740, respectively, in fully depreciated property and equipment.

7. Temporarily Restricted Net Assets

RAN recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following at June 30, 2012 and 2011:

	2012	2011
Agribusiness Campaign	\$ 299,080	242,441
Carbon Action Fund	3,563	1,322
Communications	10,000	-
Global Finance Campaign	45,664	-
Kids Action and Protect an Acre	54,603	43,347
Online and others	-	2,500
Rainforest Free Paper Campaign	206,260	103,445
Shared/Training	-	22,500
	\$ 629,170	415,555

During the years ended June 30, 2012 and 2011, RAN released \$1,239,505 and \$1,601,771, respectively, from temporarily restricted net assets to unrestricted net assets.

Notes to Financial Statements

8. Allocation of Joint Costs

RAN follows the provisions of allocating joint costs as required by ASC 958.720-05 *Other Expenses of Not-for-Profits*. Under ASC 958.720-05, RAN incurred allocable joint costs of \$142,963 and \$135,152 for the informational materials and activities that included fund-raising appeals during the years ended June 30, 2012 and 2011, respectively. Of those costs, \$43,273 and \$32,979 were allocated to fund-raising expenses and \$99,690 and \$102,173 were allocated to public education during the years ended June 30, 2012 and 2011, respectively. These allocations were based on independent analyses of the costs pertaining to the underlying direct program and fundraising expenses which were associated with various mailings.

9. Retirement Plan

RAN offers employees the opportunity for participation in a salary reduction retirement plan qualified under provision of the Internal Revenue Code permitting Savings Incentive Match Plan for Employees of Small Employers (SIMPLE). Eligibility is limited to employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year and who received at least \$5,000 in the preceding calendar year. An eligible employee may make an election to have their compensation for each pay period reduced, not to exceed the applicable amount per year. For each calendar year, RAN will contribute a matching contribution to each employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. RAN contributes to the eligible employee's Simple IRA at the end of the fiscal year, after the audit is concluded. RAN has accrued \$28,402 for the year ended June 30, 2012. RAN contributed \$24,651 for the year ended June 30, 2011.

10. Leases

RAN leases its corporate office space in San Francisco, California under two separate lease agreements (one for the 4th and 5th floors which expires February 28, 2013 and another for the 6th floor which expires February 28, 2013). The leases stipulate monthly rental payments of \$19,995 and \$7,740, respectively, as of June 30, 2012. Both leases provide for modest increases in the monthly rent running through the end of the lease term. RAN is also responsible for its share of common area maintenance expenses which includes property taxes and other assessments. Additionally, RAN leases office equipment under separate rental contracts. Minimum annual payments on all operating leases extending beyond one year are as follows:

Year Ending June 30, 2013	\$	222,752
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Total rent expense for all leases amounted to \$371,119 and \$369,971 for the years ended June 30, 2012 and 2011, respectively. RAN subleases certain office space to other nonprofit organizations and collects rental income which amounted to \$79,462 and \$79,030 for the years ended June 30, 2012 and 2011, respectively.

Notes to Financial Statements

11. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, RAN is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of personal time off, and such accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to \$145,869 and \$131,720 as of June 30, 2012 and 2011, respectively.

12. Deferred Advances

Deferred advances of \$281,180 at June 30, 2011 represent funds received but not earned. There were no deferred advances as of June 30, 2012.

13. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into and/or renew contracts related to ongoing operational activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate RAN to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond RAN's control, such as general economic conditions, (c) Service agreements with outside contractors, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements.

14. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, RAN has evaluated subsequent events through September 10, 2012, the date the financial statements were available to be issued, and, in the opinion of management, there are no subsequent events which need to be disclosed.