

RARE

FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

RARE

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2008 AND 2007

CONTENTS

	PAGE
Report of Independent Auditors	1
Statements of Financial Position	2
Statements of Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5
Additional Information	
Statements of Functional Expenses	11



REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Rare

We have audited the accompanying statement of financial position of Rare as of September 30, 2008 and 2007, and the related statements of changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Rare's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rare's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Rare as of September 30, 2008 and 2007, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of Rare's management. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Calibre CPA Group, PLLC

Washington, DC
February 19, 2009

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RARE
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,838,468	\$ 3,253,686
Investments	6,222,222	4,066,264
Grants and contributions receivable	5,204,406	2,610,692
Accrued interest	71,616	14,139
Prepaid expenses and other assets	85,220	63,053
Total current assets	15,421,932	10,007,834
FIXED ASSETS		
Furniture and computer equipment	173,545	135,933
Less: Accumulated depreciation and amortization	(109,674)	(84,005)
Net fixed assets	63,871	51,928
OTHER ASSETS		
Global online network and website	245,837	-
Pride training curriculum and materials	436,390	-
Total other assets	682,227	-
NON-CURRENT ASSETS		
Grants and contributions receivable, net of current maturities	1,405,427	1,063,334
Assets held for deferred compensation	63,921	143,528
Total non-current assets	1,469,348	1,206,862
Total assets	\$ 17,637,378	\$ 11,266,624
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 823,673	\$ 755,702
Deferred revenue	250,000	26,331
Total current liabilities	1,073,673	782,033
NON-CURRENT LIABILITIES		
Deferred compensation liabilities	63,921	143,528
Total liabilities	1,137,594	925,561
NET ASSETS		
Unrestricted:		
Undesignated	2,666,471	1,777,357
Board Designated Fund	3,514,086	2,462,341
Total unrestricted	6,180,557	4,239,698
Temporarily restricted	10,319,227	6,101,365
Total net assets	16,499,784	10,341,063
Total Liabilities and Net Assets	\$ 17,637,378	\$ 11,266,624

See accompanying notes to financial statements.

RARE

STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	2008		2007	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
REVENUE				
Grants and contributions	\$ 1,867,899	\$ 10,210,894	\$ 12,078,793	\$ 9,563,887
In-country grants and contributions	319,886	-	319,886	547,600
Tour and other income	-	-	-	1,250
Investment income	29,947	-	29,947	268,440
Contributed services and materials	422,753	-	422,753	606,900
Net assets released from restrictions	5,993,032	(5,993,032)	-	(4,175,063)
Total revenue	<u>8,633,517</u>	<u>4,217,862</u>	<u>12,851,379</u>	<u>10,988,077</u>
EXPENSE				
Program Services	5,975,630	-	5,975,630	5,638,352
Administrative	212,577	-	212,577	59,523
Fundraising	504,451	-	504,451	282,833
Total expenses	<u>6,692,658</u>	<u>-</u>	<u>6,692,658</u>	<u>5,980,708</u>
CHANGE IN NET ASSETS	1,940,859	4,217,862	6,158,721	5,007,369
NET ASSETS				
Beginning of year	<u>4,239,698</u>	<u>6,101,365</u>	<u>10,341,063</u>	<u>5,333,694</u>
End of year	<u>\$ 6,180,557</u>	<u>\$ 10,319,227</u>	<u>\$ 16,499,784</u>	<u>\$ 10,341,063</u>

See accompanying notes to financial statements.

RARE

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,158,721	\$ 5,007,369
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	48,801	27,699
Donated investments	(392,464)	(219,981)
Unrealized (gain) loss on investments	268,594	(24,924)
Realized gain on sale of investment	(21,023)	(132,677)
(Increase) decrease in:		
Grants and contributions receivables	(2,935,807)	(1,308,966)
Accrued interest	(57,477)	(8,179)
Prepaid expenses and other assets	(22,167)	7,971
Global online network and website	(245,837)	-
Pride training curriculum and materials	(436,390)	-
Increase in:		
Accounts payable and accrued expenses	67,971	447,969
Deferred revenue	<u>223,669</u>	<u>26,331</u>
Net cash provided by operating activities	<u>2,656,591</u>	<u>3,822,612</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(60,744)	(36,113)
Purchase of investments	(6,928,529)	(10,558,172)
Proceeds from sale of investments	<u>4,917,464</u>	<u>7,869,160</u>
Net cash used for investing activities	<u>(2,071,809)</u>	<u>(2,725,125)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	584,782	1,097,487
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>3,253,686</u>	<u>2,156,199</u>
End of year	<u>\$ 3,838,468</u>	<u>\$ 3,253,686</u>

See accompanying notes to financial statements.

RARE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2008 AND 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization - Rare- formerly the Rare Center for Tropical Conservation, is a nonprofit organization located in Arlington, Virginia. Rare's mission is to conserve imperiled species and ecosystems by inspiring people to care about and protect nature. Rare, in partnership with local communities, non-governmental organizations and other stakeholders throughout the world, is actively working in 20 countries to establish protected wildlife areas, adopt sustainable livelihood practices, build community support for the environment, and facilitate the reduction of important local threats.

Basis of Presentation - The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations."

Cash and Cash Equivalents - Rare considers all cash and other highly liquid investments with initial maturities of three months or less and which present insignificant risk of change in value to be cash equivalents. As of September 30, 2008, this balance included cash, money market funds and demand deposits with the bank.

At times during the year, Rare maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments - Investments are carried at fair value. Realized and unrealized gains and losses are included in the Statement of Changes in Net Assets. Rare invests cash in excess of daily requirements in short and medium-term (less than 18 months) U.S. government backed securities, highly rated corporate bonds, and certificates of deposit.

Fixed Assets - Fixed assets are stated at cost. Fixed assets purchased with a unit cost greater than \$1,500 are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. The cost of maintenance and repairs is recorded as expense.

Incomes Taxes - Rare is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Rare is not a private foundation.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(CONTINUED)**

Net asset classification - The net assets are reported in two-self-balancing groups as follows:

- **Unrestricted Net Assets** include unrestricted revenue and contributions received without donor-imposed restrictions. Any funds internally restricted by Rare or Rare's Board are also included in unrestricted net assets. These net assets are available for the operation of Rare and include both internally designated and undesignated resources. The purpose of the Board restricted net assets is to provide a financial segregation for funds not required in the short-term, only to be drawn down upon in specific circumstances as authorized by Rare's Board of Trustees such as short-term financial crises, investment into Rare's growth plan and temporary working capital needs.
- **Temporarily Restricted Net Assets** include revenue and contributions subject to donor imposed stipulations that will be met by the actions of Rare and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Changes in Net Assets as net assets released from restrictions.

Contributions and Grants - Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements. Contributions and grants received without donor restriction are recognized as unrestricted revenue. In addition, conditional promises to give are not reported as revenue until the conditions are substantially met. Restricted contributions where the restriction is met in the year received are treated as increases in unrestricted revenue.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2. INVESTMENTS

While Rare is required to report the investment balance at fair market value, Rare's policy is to hold debt instruments until maturity. If the currently held debt obligations reach maturity, Rare will record appropriate amounts of realized gain on investments. Rare held the following investments at September 30, 2008 and 2007:

NOTE 2. INVESTMENTS (CONTINUED)

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
U.S. government bonds	\$ 506,499	\$ 505,470	\$ 2,047,804	\$ 2,073,319
State government bonds	-	-	1,950,000	1,950,000
Corporate bonds	5,859,805	5,617,717	-	-
Short term investments	<u>99,000</u>	<u>99,035</u>	<u>42,945</u>	<u>42,945</u>
Total investments	<u>\$ 6,465,304</u>	<u>\$ 6,222,222</u>	<u>\$ 4,040,749</u>	<u>\$ 4,066,264</u>

As of February 19, 2009, the allowance to record Rare's investments at fair value was \$(60,886) compared to \$(243,082) at September 30, 2008.

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2008 and 2007:

	2008	2007
Program restricted:		
Pride	\$ 6,874,693	\$ 3,296,461
Enterprises	30,134	312,190
Fisheries Fellows	313,652	316,047
Other	<u>4,065</u>	<u>-</u>
	7,222,544	3,924,698
Time restricted	<u>3,096,683</u>	<u>2,176,667</u>
	<u>\$ 10,319,227</u>	<u>\$ 6,101,365</u>

Of the total amount, \$9,211,618 is available to spend in FY2009, and \$1,107,609 in FY2010 and thereafter.

NOTE 4. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes or by meeting the stipulated time restriction specified by the donors:

	2008	2007
Program restricted:		
Pride	\$ 3,361,982	\$ 2,712,260
Radio	-	204,903
Enterprises	286,400	459,254
Fisheries Fellows	372,396	348,646
Other	<u>242,254</u>	<u>-</u>
	4,263,032	3,725,063
Passage of time	<u>1,730,000</u>	<u>450,000</u>
	<u>\$ 5,993,032</u>	<u>\$ 4,175,063</u>

NOTE 5. LEASE COMMITMENT

Rare leases office space in Arlington, Virginia under an operating lease expiring in November 2009. In addition to base rent, Rare is responsible for its proportionate share of the building's operating expenses.

Rare also leases office space at other locations, as well as storage and miscellaneous furnishings and equipment under various non-cancelable operating leases.

Future minimum lease payments related to these leases for the years ended September 30, 2009 and 2010 is \$195,828 and \$30,717, respectively.

During the years ended September 30, 2008 and 2007, rent expense was \$124,939 and \$96,139, respectively.

NOTE 6. EMPLOYEE BENEFIT PLAN

Rare sponsors a defined-contribution retirement plan under Section 401(k) of the Internal Revenue Code for all employees who meet certain service requirements. The plan provides for employee contributions not to exceed annual limits as determined by the IRS. In 2008, Rare contributed 3% of base salary for all eligible employees and will match up to 4% of employees' contributions.

Employees are vested in the employer contributions after two years of service.

During 2003, Rare established a second non-qualified deferred compensation plan, the International Retirement Savings Plan (IRSP), to cover all foreign employees who meet certain service requirements. There are no employee contributions allowed under the IRSP plan. Rare contributes 3% of compensation for all eligible employees and increases its contribution to 7% of compensation after completion of two years of service. New participants to the plan vest over 5 years.

At September 30, 2008 and 2007, the value of the IRSP was \$63,921 and \$143,528, respectively. There is a corresponding deferred compensation liability in the same amount.

Retirement plan expense for the years ended September 30, 2008 and 2007 was \$115,365 and \$89,452, respectively.

Rare, upon Board approval, accrued an amount equal to 7% of salaries which is available for payment as employee performance-based bonuses. This amount is included in the Statement of Financial Position accounts payable and accrued expenses.

NOTE 7. CONTRIBUTED GOODS AND SERVICES

Contributions of services are recognized when they are received if the services either (a) create or enhance non-financial assets, or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated. During the years ended September 30, 2008 and 2007, the value of contributed services recognized in the accompanying Statements of Changes in Net Assets was \$422,753 and \$606,900, respectively.

NOTE 7. CONTRIBUTED GOODS AND SERVICES (CONTINUED)

Following is a summary of the contributed goods and services recorded as expenses in the Statement of Changes in Net Assets:

	<u>2008</u>			<u>2007</u>
	<u>Program Services</u>	<u>Administrative</u>	<u>Total</u>	<u>Total</u>
Consulting and contract fees	\$ 355,600	\$ -	\$ 355,600	\$ 337,300
Professional Services	23,750	43,403	67,153	158,400
Occupancy	-	-	-	80,000
Equipment and materials	-	-	-	15,200
Subgrants and awards	-	-	-	16,000
	<u>\$ 379,350</u>	<u>\$ 43,403</u>	<u>\$ 422,753</u>	<u>\$ 606,900</u>

Contributed non-cash goods and services are recognized at fair value as per contracts with Rare partners, or as provided by donors.

In addition to the \$422,753 in contributed goods and services, a direct cash contribution of \$319,886 was recognized from in-country partners for the year ended September 30, 2008. Direct cash contributions are distinguished from in-kind donations when funds are paid directly in-country on behalf of the project, rather than for the provision of goods and services. For the year ended September 30, 2007, in-country contributions were \$547,600.

Consulting and contract fees represent the local Pride campaign manager salaries provided as an in-kind service. Professional services include donated time for marketing, legal, web-site development and other specialized services to Rare.

NOTE 8. CONDITIONAL PROMISES TO GIVE

During the year ended September 30, 2008, Rare received certain promises to give that were contingent upon raising matching funds. One grant's contingency is to fully match the largest unrestricted donation received by Rare for the next two consecutive years. This particular conditional promise is unable to be measured at September 30, 2008. Other conditional promises to give totaled approximately \$900,000 at September 30, 2008. In accordance with generally accepted accounting principles, these promises to give are not reported as revenue until the conditions are substantially met.

NOTE 9. GRANTS AND CONTRIBUTIONS RECEIVABLE

AS of September 2008, grants and contributions receivable consisted of \$6,609,833.

Following is a schedule of maturities by year of the grants and contributions receivable.

Year ending September 30,	
2009	\$ 5,204,406
2010	<u>1,405,427</u>
	6,609,833
Less current maturities	<u>(5,204,406)</u>
Total noncurrent grants and contributions receivable	<u>\$ 1,405,427</u>

NOTE 10. COMMITMENTS AND CONTINGENCIES

Rare has a line of credit totaling \$500,000 from Wachovia bank. The line of credit has a variable interest rate equal to the Bank's Prime Rate plus 1.0% and is secured by all of Rare's personal property. As of September 30, 2008, Rare made no borrowings under line the of credit.

ADDITIONAL INFORMATION

RARE

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

	2008			2007				
	Program Services	Administrative	Fundraising	Total	Program Services	Administrative	Fundraising	Total
Salaries and benefits	\$ 2,595,343	\$ 483,452	\$ 330,858	\$ 3,409,653	\$ 1,971,319	\$ 371,844	\$ 178,209	\$ 2,521,372
Insurance	5,757	8,440	2,343	16,540	4,865	15,309	1,558	21,732
Supplies	76,152	12,594	6,354	95,100	179,053	5,841	5,565	190,459
Postage and printing	85,235	3,798	6,062	95,095	80,537	3,285	6,017	89,839
Occupancy costs	144,488	19,804	14,004	178,296	161,150	22,899	24,174	208,223
Telephone	83,496	11,846	3,145	98,487	66,186	4,409	4,551	75,146
Travel and meetings	768,751	7,621	27,371	803,743	576,872	39,011	22,113	637,996
Consulting and professional fees	685,988	50,757	18,756	755,501	809,755	30,058	10,227	850,040
Professional development	51,485	13,640	9,879	75,004	39,743	3,268	2,426	45,437
Equipment and materials	86,713	2,423	912	90,048	92,954	5,597	3,672	102,223
Bank fees	1,947	3,543	115	5,605	2,427	5,003	153	7,583
Sub-grants and awards	990,435	-	-	990,435	1,192,861	-	-	1,192,861
Depreciation and amortization	-	48,801	-	48,801	-	27,699	-	27,699
Public relations	18,573	-	-	18,573	754	-	-	754
Miscellaneous	4,887	6,680	210	11,777	8,113	1,063	168	9,344
Subtotal	5,599,250	673,399	420,009	6,692,658	5,186,589	535,286	258,833	5,980,708
Allocation of administrative costs	376,380	(460,822)	84,442	-	451,763	(475,763)	24,000	-
Total	\$ 5,975,630	\$ 212,577	\$ 504,451	\$ 6,692,658	\$ 5,638,352	\$ 59,523	\$ 282,833	\$ 5,980,708