

**RAPE, ABUSE & INCEST NATIONAL NETWORK
(RAINN)**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2011 AND 2010

Rape, Abuse & Incest National Network (RAINN)

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Independent Auditor's Report

Board of Directors
Rape, Abuse & Incest National Network (RAINN)
Washington, DC

We have audited the accompanying Statements of Financial Position of **Rape, Abuse & Incest National Network (RAINN)** (a nonprofit organization) as of May 31, 2011 and 2010, and the related Statements of Activities and Changes in Net Assets (Deficit), Functional Expenses, and Cash Flows for the years then ended. These financial statements are the responsibility of **Rape, Abuse & Incest National Network (RAINN)**'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 **Rape, Abuse & Incest National Network (RAINN)**'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 **Rape, Abuse & Incest National Network (RAINN)** as of May 31, 2011 and 2010, and the changes in its net assets (deficit) and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rockville, Maryland
November 16, 2011

Rape, Abuse & Incest National Network (RAINN)

Statements of Financial Position

<i>May 31,</i>	2011	2010
Assets		
Cash and cash equivalents	\$ 617,682	\$ 241,643
Pledges receivable	20,717	4,762
Grants receivable	103,001	53,486
Prepaid expenses	17,976	13,046
Restricted cash	9,542	9,542
Total assets	\$ 768,918	\$ 322,479
Liabilities and Net Assets (Deficit)		
Accounts payable and accrued expenses	\$ 271,397	\$ 270,163
Deferred rent	13,395	17,379
Note payable	209,264	209,264
Total liabilities	494,056	496,806
Unrestricted net assets (deficit)	274,862	(174,327)
Total liabilities and net assets (deficit)	\$ 768,918	\$ 322,479

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Rape, Abuse & Incest National Network (RAINN)

Statements of Activities and Changes in Net Assets (Deficit)

<i>Years Ended May 31,</i>	2011	2010
Revenues and support		
Service fees	\$ 788,700	\$ 8,556
Contributions	737,535	603,437
Federal grants	558,816	668,672
Contributed services	325,219	569,974
Merchandise sales	3,402	3,633
Interest	1,486	691
Total revenues and support	2,415,158	1,854,963
Expenses		
Programs	1,735,506	1,771,552
Management and general	30,331	24,868
Fundraising	200,132	123,935
Total expenses	1,965,969	1,920,355
Increase (decrease) in unrestricted net assets (deficit)	449,189	(65,392)
Net deficit, beginning of year	(174,327)	(108,935)
Net assets (deficit), end of year	\$ 274,862	\$ (174,327)

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Rape, Abuse & Incest National Network (RAINN)

Statement of Functional Expenses

<i>Year Ended May 31, 2011</i>	Communications	Hotline	Policy	TAP	Total Programs	Management and general	Fund-raising	Total
Accounting	\$ 6,268	\$ 11,299	\$ 975	\$ 873	\$ 19,415	\$ 274	\$ 2,358	\$ 22,047
Bank credit card and other charges	574	1,033	89	80	1,776	25	19,742	21,543
Communications and outreach	2,187	24,000	816	1,009	28,012	-	878	28,890
Contractors and consultants	49,217	75,600	38,924	6,720	170,461	16,800	49,359	236,620
Employee benefits	12,225	22,036	1,902	1,703	37,866	534	4,599	42,999
Equipment	2,780	13,618	-	2,618	19,016	-	-	19,016
Interest	2,554	4,605	397	356	7,912	112	961	8,985
Internet hosting	8,952	100,350	-	24,783	134,085	-	759	134,844
Legal	-	43,857	5,553	-	49,410	-	-	49,410
Liability insurance	1,794	5,934	279	250	8,257	79	674	9,010
Merchandise production	-	-	-	-	-	-	955	955
Occupancy expense	40,817	73,575	6,351	5,685	126,428	1,784	15,355	143,567
Postage	6,353	759	-	1,532	8,644	-	804	9,448
Printing	9,559	3,562	-	1,124	14,245	8	211	14,464
Public education	220,226	355	-	-	220,581	-	145	220,726
Salaries	223,957	403,693	34,846	31,194	693,690	9,788	84,252	787,730
Software	15,025	22,919	-	2,373	40,317	25	-	40,342
State registration fees	-	-	-	-	-	-	4,264	4,264
Supplies	2,157	3,177	-	253	5,587	-	7,350	12,937
Taxes - payroll	18,257	32,909	2,841	2,543	56,550	798	6,868	64,216
Telephone	957	55,265	596	122	56,940	38	408	57,386
Travel	14,879	15,942	5,493	-	36,314	66	190	36,570
Total	\$ 638,738	\$ 914,488	\$ 99,062	\$ 83,218	\$ 1,735,506	\$ 30,331	\$ 200,132	\$ 1,965,969

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Rape, Abuse & Incest National Network (RAINN)

Statement of Functional Expenses

<i>Year Ended May 31, 2010</i>	Communications	Hotline	Policy	TAP	Total Programs	Management and general	Fund-raising	Total
Accounting	\$ 5,032	\$ 9,339	\$ 2,189	\$ 2,775	\$ 19,335	\$ 228	\$ 2,112	\$ 21,675
Bank credit card and other charges	349	648	152	193	1,342	261	10,335	11,938
Communications and outreach	2,805	15,676	750	817	20,048	-	527	20,575
Conferences	495	-	-	-	495	-	-	495
Contractors and consultants	30,695	72,830	49,770	20,055	173,350	15,120	19,960	208,430
Depreciation	44	6,879	-	443	7,366	-	16	7,382
Employee benefits	3,518	6,529	1,530	1,940	13,517	159	1,477	15,153
Equipment	1,356	314	-	4,606	6,276	-	-	6,276
Interest	2,304	4,278	1,003	1,271	8,856	104	968	9,928
Internet hosting	4,847	95,808	11	41,375	142,041	-	425	142,466
Legal	-	15,974	278,013	-	293,987	-	-	293,987
Liability insurance	1,908	3,538	829	3,438	9,713	86	800	10,599
Merchandise production	-	-	-	-	-	-	(450)	(450)
Occupancy expense	33,476	62,131	14,561	18,460	128,628	1,515	14,052	144,195
Postage	2,243	862	-	3,647	6,752	-	122	6,874
Printing	8,537	2,429	375	3,366	14,707	-	147	14,854
Public education	189,648	170	324	185	190,327	-	61	190,388
Salaries	150,674	279,649	65,537	83,089	578,949	6,817	63,249	649,015
Software	224	35,044	-	2,255	37,523	-	83	37,606
State registration fees	-	-	-	-	-	-	4,692	4,692
Supplies	1,384	923	-	2,832	5,139	-	-	5,139
Taxes - payroll	11,988	22,252	5,215	6,611	46,066	543	5,033	51,642
Telephone	778	39,828	338	1,071	42,015	35	326	42,376
Travel	11,587	5,007	6,359	2,167	25,120	-	-	25,120
Total	\$ 463,892	\$ 680,108	\$ 426,956	\$ 200,596	\$ 1,771,552	\$ 24,868	\$ 123,935	\$ 1,920,355

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Rape, Abuse & Incest National Network (RAINN)

Statements of Cash Flows

<i>Years Ended May 31,</i>	2011	2010
Cash flows from operating activities		
Change in net assets (deficit)	\$ 449,189	\$ (65,392)
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities		
Depreciation	-	7,382
(Increase) decrease in		
Pledges receivable	(15,955)	(2,987)
Grants receivable	(49,515)	23,928
Prepaid expenses	(4,930)	(366)
Increase (decrease) in		
Accounts payable and accrued expenses	1,234	136,289
Deferred rent	(3,984)	(880)
Net cash provided by operating activities	376,039	97,974
Net change in cash	376,039	97,974
Cash and cash equivalents, beginning of year	241,643	143,669
Cash and cash equivalents, end of year	\$ 617,682	\$ 241,643
Supplemental cash flow information		
Payment of interest	\$ 9,456	\$ 5,000

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Rape, Abuse & Incest National Network (RAINN)

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: Rape, Abuse & Incest National Network (RAINN) was organized for the charitable and educational purposes of establishing and maintaining a national toll-free sexual assault crisis hotline; publicizing the hotline's availability and educating the public about the issue of sexual assault. RAINN as a Voluntary Health and Welfare organization also provides online hotline services for victims of sexual assault.

Basis of presentation: Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

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

Temporarily restricted net assets - net assets subject to donor-imposed stipulations as to time or purpose of use.

Cash and cash equivalents: RAINN considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. RAINN maintains cash balances that may exceed federally insured limits. Management does not believe that this results in a significant credit risk.

Restricted cash: RAINN maintains a letter of credit in the amount of \$9,542 in lieu of a deposit on the office lease. This letter of credit is secured by cash.

Pledge receivable: RAINN records pledges in the period which they are promised. Management believes the balance to be fully collectible within one year, therefore no allowance for uncollectible pledges has been recorded.

Software and equipment: Software and equipment were recorded at the original cost and were depreciated on a straight-line basis over estimated lives of three to five years.

Deferred rent: RAINN recognizes the minimum non-contingent rents required under operating leases as rent expense on a straight-line basis over the life of the lease, with differences between amounts recognized as expense and the amounts actually paid recorded as deferred rent on the accompanying statements of financial position.

Note payable: RAINN has a note payable for services rendered for which payment was deferred. The note bears interest at 5%.

Rape, Abuse & Incest National Network (RAINN)

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

Revenue recognition:

Service fees – RAINN has a fixed fee contract with the Department of Defense for providing hotline services. Revenue is recognized ratably monthly as service is provided.

Contributions – RAINN recognizes all unconditional contributions received as income in the period in which the commitment is made. Contributions are reported as unrestricted, temporarily restricted or permanently restricted depending on the absence or existence of donor stipulations that limit the use of the contributions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Federal grants – Revenue from federal grants is recognized as expenditures are incurred. Amounts received in advance are deferred advances, and expenditures incurred on a reimbursement basis are recorded as grants receivable. Management believes all balances to be fully collectible, therefore no allowance for uncollectible accounts has been recorded.

Contributed services – RAINN receives contributed legal assistance, media, web hosting, and security assessment for web services. These contributions are reported at their estimated fair value. These contributed services were expensed and included on the Statements of Functional Expenses.

Sales of merchandise – RAINN sells shirts, keychains, and other small merchandise items which include its logo or program message. Revenues from merchandise are recognized at the time of sale.

Method of accounting: RAINN's financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Functional 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 amongst the programs and supporting services benefited.

Rape, Abuse & Incest National Network (RAINN)

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

Use of accounting 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 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.

Tax status: RAINN is exempt from Federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying statements.

RAINN evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of May 31, 2011 and 2010, there are no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2008 through the current year remain open for examination by tax authorities.

Reclassification: Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through November 16, 2011, which is the date the financial statements are available to be issued.

2. Program descriptions

Communications: RAINN educates the public about sexual assault and conducts outreach to at-risk populations.

National Sexual Assault Hotlines: RAINN operates the National Sexual Assault Hotline (800-656-HOPE), and the National Sexual Assault Online Hotline (at rainn.org, a secure web-based support hotline), as free services for all victims of sexual assault.

Policy: RAINN analyzes, develops, and promotes policy changes to bring rapists to justice, help victims, and reduce the incidence of sexual violence.

TAP: RAINN provides free websites and email and technology services to local rape crisis centers.

Training: RAINN conducts training and continuing education for staff and volunteers of local rape crisis centers.

Rape, Abuse & Incest National Network (RAINN)

Notes to Financial Statements

3. Software and equipment

Software and equipment consist of the following at May 31:

	2011	2010
Computer equipment	\$ 18,547	\$ 18,547
Software	132,875	132,875
Total	151,423	151,423
Less: Accumulated depreciation	(151,423)	(151,423)
Net	\$ -	\$ -

4. Operating lease

RAINN is obligated, as lessee, under a non-cancelable operating lease for office space in Washington, D.C.

The following is a schedule by years of future minimum rental payments required under the operating lease that has an initial or remaining non-cancelable lease term in excess of one year as of May 31, 2011:

Year Ending May 31	Total
2012	\$ 130,644
2013	88,537
Total	\$ 219,181

Total expense under operating leases for the years ended May 31, 2011 and 2010 was \$143,567 and \$144,195, respectively.

During 2010, the Organization negotiated with the landlord of their office space to defer rental payments for four months. Subsequent to fiscal year end 2010, a repayment plan was agreed upon for the total amount of \$52,564 to be paid in equal monthly payments of \$3,755. This agreement is interest-free. The outstanding balance at May 31, 2011 and 2010 was \$26,147 and \$51,969, respectively, and is included in accounts payable on the Statements of Financial Position.

Rape, Abuse & Incest National Network (RAINN)

Notes to Financial Statements

5. Note payable Since 1994, the Organization has been using the services of a company (A&I Publishing) that is wholly owned by the President of the Organization. These services were covered by operational agreements, on which payment was deferred due to limited cash available to the Organization. As a settlement for the past due amounts, the Organization entered into a fourteen year note payable agreement with this company for the estimated value of these services. This note went into effect November 1, 2005 in the amount of \$288,000 and bears interest at 5%. In 2011, A&I Publishing extended the term of the note by allowing RAINN to defer payment in the year ended May 31, 2011. The annual payment per the agreement is \$28,800. The note continued to accrue interest during this time which is included in the accompanying Statements of Financial Position. In the event that the Organization ceases to receive services from this company, the remaining unpaid portion of this note is due immediately.

The following schedule summarizes the future principal maturities due under the note payable agreement, subject to availability of funds, as of May 31, 2011:

Year Ending May 31	Amount
2012	\$ 18,337
2013	19,254
2014	20,216
2015	21,227
2016	22,288
Thereafter	107,942
Total	\$ 209,264

6. Related party transactions RAINN entered into a contracting agreement with A&I Publishing for the their services to the Organization. A&I Publishing is wholly owned by the President of the Organization. During the years ended May 31, 2011 and 2010, the Organization incurred expenses of \$168,000 each year under this agreement. The amount due as of May 31, 2011 and 2010 was \$93,546 and \$115,208, respectively, which is included in accounts payable on the accompanying statement of financial position. In addition, the Organization reimbursed A&I Publishing approximately \$10,219 and \$6,745 for the years ended May 31, 2011 and 2010, respectively, for costs incurred by A&I Publishing on behalf of RAINN.

In addition, the Organization has a note payable agreement with A&I Publishing, which is described in Note 5.

Rape, Abuse & Incest National Network (RAINN)

Notes to Financial Statements

- 7. Concentration of revenue** Federal grants from the Department of Justice comprise 23% and 36% of the total revenues for 2011 and 2010, respectively.

The contract with the Department of Defense comprises 33% of total revenue in 2011.