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

AUDITED FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2013 AND 2012

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 financial statements of **Rape, Abuse & Incest National Network (RAINN)** (a nonprofit organization), which comprise the Statements of Financial Position as of May 31, 2013 and 2012, and the related Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 a reasonable assurance about whether the financial statements are free from material misstatement.

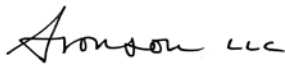
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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** as of May 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Rockville, Maryland
November 7, 2013

Rape, Abuse & Incest National Network (RAINN)

Statements of Financial Position

<i>May 31,</i>	2013	2012
Assets		
Cash and cash equivalents	\$ 1,877,119	\$ 1,605,382
Pledges receivable	68,965	16,045
Contracts and grants receivable	347,136	35,514
Prepaid expenses	58,654	11,756
Restricted cash	-	9,542
Property and equipment, net	447,964	-
Total assets	\$ 2,799,838	\$ 1,678,239
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 258,765	\$ 168,664
Deferred rent	394,877	6,222
Note payable	186,960	213,133
Total liabilities	840,602	388,019
Net assets		
Unrestricted	1,954,861	1,290,220
Temporarily restricted	4,375	-
Total net assets	1,959,236	1,290,220
Total liabilities and net assets	\$ 2,799,838	\$ 1,678,239

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

<i>Years Ended May 31,</i>	2013	2012
Revenues and support		
Contributions	\$ 1,052,415	\$ 1,610,624
Service fees	2,244,120	1,457,200
Federal grants	-	57,236
Contributed services	518,931	535,796
Merchandise sales	8,284	27,299
Interest	3,456	1,708
Net assets released from restrictions	7,625	-
Total revenues and support	3,834,831	3,689,863
Expenses		
Programs	2,939,056	2,312,567
Management and general	39,907	44,879
Fundraising	191,227	317,059
Total expenses	3,170,190	2,674,505
Change in unrestricted net assets	664,641	1,015,358
Changes in temporarily restricted net assets		
Contributions	12,000	-
Net assets released from restrictions	(7,625)	-
Change in temporarily restricted net assets	4,375	-
Total change in net assets	669,016	1,015,358
Net assets, beginning of year	1,290,220	274,862
Net assets, end of year	\$ 1,959,236	\$ 1,290,220

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, 2013</i>	Communications	Victim Services	Policy	Total Programs	Management and general	Fund- raising	Total
Accounting	\$ 4,918	\$ 15,832	\$ 541	\$ 21,291	\$ 1,261	\$ 2,035	\$ 24,587
Bank credit card and other charges	634	2,043	70	2,747	19	15,671	18,437
Communications and outreach	73,306	19,612	1,675	94,593	5	5,800	100,398
Conferences	895	1,251	-	2,146	-	-	2,146
Contractors and consultants	69,070	115,087	51,778	235,935	25,889	34,292	296,116
Depreciation	936	3,011	103	4,050	58	387	4,495
Employee benefits	8,271	26,625	911	35,807	513	3,422	39,742
Equipment	-	15,292	-	15,292	-	-	15,292
Interest	2,434	7,833	268	10,535	149	1,007	11,691
Internet hosting	5,989	124,539	-	130,528	-	3,288	133,816
Legal	300	26,228	230,000	256,528	-	-	256,528
Liability insurance	578	11,042	64	11,684	36	239	11,959
Merchandise production	-	-	-	-	-	3,187	3,187
Occupancy expense	40,031	128,861	4,407	173,299	2,483	16,564	192,346
Postage	8,404	-	-	8,404	-	-	8,404
Printing	3,734	5,014	375	9,123	73	445	9,641
Public education	342,533	16,398	2,075	361,006	-	142	361,148
Salaries	170,470	1,087,247	19,737	1,277,454	9,127	86,609	1,373,190
Software	15,165	42,331	-	57,496	-	-	57,496
State registration fees	-	-	-	-	35	7,292	7,327
Supplies	1,919	12,957	195	15,071	27	-	15,098
Taxes - payroll	14,240	91,896	1,668	107,804	211	7,320	115,335
Telephone	-	81,981	-	81,981	-	699	82,680
Travel	11,378	14,253	651	26,282	-	2,828	29,110
Office	-	-	-	-	21	-	21
Total	\$ 775,205	\$ 1,849,333	\$ 314,518	\$ 2,939,056	\$ 39,907	\$ 191,227	\$ 3,170,190

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, 2012</i>	Communications	Victim Services	Policy	Total Programs	Management and general	Fund-raising	Total
Accounting	\$ 4,499	\$ 15,809	\$ 890	\$ 21,198	\$ 1,228	\$ 2,753	\$ 25,179
Bank credit card and other charges	482	1,695	95	2,272	57	34,953	37,282
Communications and outreach	21,233	49,913	890	72,036	30	25,154	97,220
Conferences	2,145	1,206	-	3,351	-	-	3,351
Contractors and consultants	98,483	108,848	28,950	236,281	19,302	70,475	326,058
Employee benefits	5,568	19,567	1,102	26,237	546	3,408	30,191
Equipment	-	20,188	200	20,388	-	-	20,388
Interest	2,188	7,689	433	10,310	214	1,339	11,863
Internet hosting	4,859	116,618	-	121,477	-	425	121,902
Legal	-	40,144	240,500	280,644	-	-	280,644
Liability insurance	1,796	6,310	355	8,461	176	1,099	9,736
Merchandise production	-	-	-	-	-	13,413	13,413
Occupancy expense	23,885	85,989	4,726	114,600	2,341	14,618	131,559
Postage	8,467	1,818	-	10,285	-	5,428	15,713
Printing	3,907	2,715	-	6,622	-	3,810	10,432
Public education	218,328	1,385	-	219,713	-	528	220,241
Salaries	196,096	689,092	38,800	923,988	19,215	120,010	1,063,213
Software	367	31,455	-	31,822	-	-	31,822
State registration fees	-	-	-	-	83	2,675	2,758
Supplies	291	17,999	190	18,480	28	388	18,896
Taxes - payroll	16,196	56,915	3,205	76,316	1,587	9,912	87,815
Telephone	337	70,098	40	70,475	-	1,606	72,081
Travel	23,453	13,244	914	37,611	72	5,065	42,748
Total	\$ 632,580	\$ 1,358,697	\$ 321,290	\$ 2,312,567	\$ 44,879	\$ 317,059	\$ 2,674,505

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>	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 669,016	\$ 1,015,358
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	4,495	-
(Increase) decrease in		
Pledges receivable	(52,920)	4,672
Contracts and grants receivable	(311,622)	67,487
Prepaid expenses	(46,898)	6,220
Restricted cash	9,542	-
Increase (decrease) in		
Accounts payable and accrued expenses	90,101	(102,733)
Accrued interest	-	3,869
Deferred rent	83,365	(7,173)
Net cash provided by operating activities	445,079	987,700
Cash flows used by investing activities		
Purchase of property and equipment	(147,169)	-
Cash flows used by financing activities		
Payment on notes payable	(26,173)	-
Net change in cash and cash equivalents	271,737	987,700
Cash and cash equivalents, beginning of year	1,605,382	617,682
Cash and cash equivalents, end of year	\$ 1,877,119	\$ 1,605,382
Supplemental cash flow information		
Acquisition of leasehold improvements through operating lease agreements	\$ 305,290	\$ -
Payment of interest	\$ 11,691	\$ 11,013

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 the National Sexual Assault Hotline, National Sexual Assault Online Hotline and other services for victims; educating the public about sexual assault; and improving the criminal justice response to sexual violence. As a Voluntary Health and Welfare organization, RAINN provides Online Hotline services for victims of sexual assault.

Basis 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.

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.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently. There were no permanently restricted net assets as of years ended May 31, 2013 and 2012.

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: As of May 31, 2012, RAINN maintained a letter of credit in the amount of \$9,542 in lieu of a deposit on a non-cancelable office lease. This letter of credit was secured by cash. The lease and the letter of credit expired during the year ended May 31, 2013.

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.

Contracts and grants receivable: Contracts and grants receivable are recorded when expenses are incurred or services are provided for federal programs. This balance is deemed fully collectible and therefore no allowance for doubtful accounts is deemed necessary.

Rape, Abuse & Incest National Network (RAINN)

Notes to Financial Statements

Property and equipment: Property and equipment was recorded at the original cost and were depreciated on a straight-line basis over estimated lives of three to five years with a capitalization policy of \$5,000. Leasehold improvements to property were recorded at cost and are amortized over the life of the lease.

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.

Revenue recognition:

Service fees – RAINN has a fixed fee contract with the Department of Defense (DOD) 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.

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, key-chains, and other small merchandise items which include its logo or program message. Revenues from merchandise are recognized at the time of sale.

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

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, 2013 and 2012, there are no accruals for uncertain tax positions. If applicable, RAINN records interest and penalties as a component of income tax expense. Tax years from 2010 through the current year remain open for examination by tax authorities.

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.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through November 7, 2013, which was the date the financial statements were available to be issued.

2. Program descriptions

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

Victim Services: RAINN operates the National Sexual Assault Hotline (800-656-HOPE), and the National Sexual Assault Online Hotline (a secure web-based support hotline at online.RAINN.org). RAINN also operates the DOD Safe Helpline, five interrelated services for members of the US military affected by sexual assault, through a contract from the Department of Defense. All services are provided free to 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.

Rape, Abuse & Incest National Network (RAINN)

Notes to Financial Statements

3. Property and equipment

Property and equipment consist of the following at May 31:

	2013	2012
Furniture and equipment	\$ 89,158	\$ -
Computer equipment	-	18,547
Software	132,875	132,875
Leasehold improvements	363,301	-
	585,334	151,423
Less: Accumulated depreciation and amortization	(137,370)	(151,423)
	\$ 447,964	\$ -

Depreciation and amortization expense for the years ended May 31, 2013 and 2012 was \$4,495 and \$0, respectively.

4. Operating lease

RAINN was obligated, as lessee, under a non-cancelable operating lease for office space in Washington, D.C. for part of the fiscal year ended May 31, 2013. The non-cancelable operating lease expired in December 2012.

During the fiscal year ended May 31, 2013 RAINN was obligated under an operating lease for office space in Washington, D.C. The lease commenced on January 1, 2013 and will end on August 31, 2023 with fixed annual increases during the lease term. This lease included rent abatement beginning January and ending October 2013 with the first rent payment due October 22, 2013. A deferred rent liability is recorded for the difference between the pro-rata expense recognized and the total amounts paid under the lease and is recognized as a liability on the Statements of Financial Position.

The following is a schedule by years of future minimum rental payments required under the operating lease as of May 31, 2013:

Year Ending May 31	Total
2014	\$ 126,155
2015	211,125
2015	216,411
2017	221,825
2018	227,376
Thereafter	1,290,250
	\$ 2,293,142

Total expense under operating leases for the years ended May 31, 2013 and 2012 was \$185,936 and \$129,503, respectively.

Rape, Abuse & Incest National Network (RAINN)

Notes to Financial Statements

5. Note payable Since 1994, RAINN has been using the services of a company (A&I Publishing) that is wholly owned by the President of RAINN. These services were covered by operational agreements, on which payment was deferred due to limited cash available to RAINN. As a settlement for the past due amounts, RAINN 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 bore interest at 5%. Payments were made based upon the availability of cash. The note continued to accrue interest during this time which is included in the accompanying Statements of Financial Position. For the year ending May 31, 2013 principal and interest payments were made and for the year ended May 31, 2012, interest-only payments were made. During the year ended May 31, 2013, the note was renegotiated. The balance due with accrued interest was converted to principal. The maturity date and the interest rate remain the same. Under the renegotiated terms, the annual payment of principal and interest is \$36,830. In the event that RAINN 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 as of May 31, 2013:

Year Ending May 31	Amount
2014	\$ 27,482
2015	28,856
2016	30,299
2017	31,814
Thereafter	68,509
Total	\$ 186,960

Total interest expense for the years ended May 31, 2013 and 2012 was \$11,691 and \$11,013, respectively.

6. Related party transactions RAINN entered into a contracting agreement with A&I Publishing for their services to RAINN. A&I Publishing is wholly owned by the President of RAINN. During the years ended May 31, 2013 and 2012, RAINN incurred expenses of \$258,888 and \$193,000, respectively under this agreement. The amount due as of May 31, 2013 and 2012 was \$18,760 and \$14,000, respectively, which is included in accounts payable on the accompanying Statement of Financial Position. In addition, RAINN reimbursed A&I Publishing approximately \$9,007 and \$12,254 for the years ended May 31, 2013 and 2012, respectively, for costs incurred by A&I Publishing on behalf of RAINN.

Rape, Abuse & Incest National Network (RAINN)

Notes to Financial Statements

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

- 7. Concentration of revenue** The contract with the Department of Defense comprises 58% and 43% of total revenue in fiscal years ended May 31, 2013 and 2012, respectively.
- 8. Temporarily restricted net assets** As of May 31, 2013, temporarily restricted net assets of \$4,375 were restricted for the Communications program. As of May 31, 2013, releases from restrictions were \$7,625. As of May 31, 2012, there were no temporarily restricted net assets.