



RAINFOREST ALLIANCE

RAINFOREST ALLIANCE INC. AND SUBSIDIARIES
Consolidated Financial Statements
December 31, 2019
(With Summarized Comparative Consolidated Information
For the Year Ended December 31, 2018)
With Independent Auditor's Report

Rainforest Alliance, Inc. and Subsidiaries
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December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Rainforest Alliance, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of Rainforest Alliance, Inc. and Subsidiaries, ("RA" or the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

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 consolidated financial statements referenced above, present fairly, in all material respects, the financial position of Rainforest Alliance, Inc. and Subsidiaries as of December 31, 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, during 2019, the Organization adopted the following Accounting Standards Updates ("ASU"): ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (Topic 825), and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Consolidated Information

We have previously audited the Organization's December 31, 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 7, 2019. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

May 13, 2020

Rainforest Alliance, Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 9,016,577	\$ 8,135,585
Grants and contributions receivables, net	4,934,363	3,790,403
RA-Cert receivables, net (discontinued operations)	-	310,567
Royalty and other contract receivables, net	1,691,328	2,610,245
Contract assets	6,115,422	3,898,749
Due from affiliate	150,850	-
Advances and prepaid expenses	861,776	666,289
Investments	<u>9,929,898</u>	<u>1,688,635</u>
Total current assets	<u>32,700,214</u>	<u>21,100,473</u>
Property and equipment, net	<u>641,352</u>	<u>362,211</u>
Intangible asset, net	<u>-</u>	<u>800,000</u>
Other assets		
Grants and contributions receivable - net of current portion	50,000	792,492
Security deposits	363,619	384,474
Investments	<u>1,000,000</u>	<u>1,000,000</u>
Total other assets	<u>1,413,619</u>	<u>2,176,966</u>
Total assets	<u>\$ 34,755,185</u>	<u>\$ 24,439,650</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,051,203	\$ 3,690,093
Due to seller - current portion	-	1,000,000
Contract liabilities	1,197,781	1,256,330
Refundable grants payable	<u>1,174,766</u>	<u>1,345,942</u>
Total current liabilities	5,423,750	7,292,365
Long term liabilities		
Deferred rent liability	553,396	611,282
Foreign severance payable	<u>2,340,259</u>	<u>2,243,149</u>
Total liabilities	<u>8,317,405</u>	<u>10,146,796</u>
Net assets		
Without donor restrictions	20,716,952	9,668,290
With donor restrictions	<u>5,720,828</u>	<u>4,624,564</u>
Total net assets	<u>26,437,780</u>	<u>14,292,854</u>
Total liabilities and net assets	<u>\$ 34,755,185</u>	<u>\$ 24,439,650</u>

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

Rainforest Alliance, Inc. and Subsidiaries
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019
(With Summarized Comparative Totals for December 31, 2018)

	<u>December 31, 2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Support and revenues				
Contributions				
Major donors and individuals	\$ 3,955,703	\$ 1,631,388	\$ 5,587,091	\$ 3,748,481
Foundations and corporate grants	331,285	4,587,475	4,918,760	4,887,440
Government grants and contracts	-	7,090,714	7,090,714	6,853,673
Special events - net	710,345	-	710,345	645,375
In-kind contributions	1,130,601	-	1,130,601	1,122,588
Revenue from contracts with customers				
Royalty revenue	18,318,143	-	18,318,143	19,410,147
Other contract revenue	2,079,553	-	2,079,553	1,891,511
Other income	176,941	53,169	230,110	28,187
Net assets released from restrictions	<u>12,266,482</u>	<u>(12,266,482)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>38,969,053</u>	<u>1,096,264</u>	<u>40,065,317</u>	<u>38,587,402</u>
Expenses				
Program services				
Landscapes and communities	16,763,612	-	16,763,612	14,174,594
Markets transformation	9,585,494	-	9,585,494	6,362,520
Communications	<u>1,700,027</u>	<u>-</u>	<u>1,700,027</u>	<u>2,168,585</u>
Total program services	28,049,133	-	28,049,133	22,705,699
Support services				
Management and general	4,716,605	-	4,716,605	6,088,722
Fundraising	<u>3,327,705</u>	<u>-</u>	<u>3,327,705</u>	<u>3,308,887</u>
Total expenses	<u>36,093,443</u>	<u>-</u>	<u>36,093,443</u>	<u>32,103,308</u>
Changes in net assets from operations	2,875,610	1,096,264	3,971,874	6,484,094
Nonoperating revenue (expense)				
Contributions from affiliate	<u>7,600,000</u>	<u>-</u>	<u>7,600,000</u>	<u>-</u>
Change in net assets before discontinued operations	10,475,610	1,096,264	11,571,874	6,484,094
Discontinued operations (see Note 16)	<u>573,052</u>	<u>-</u>	<u>573,052</u>	<u>(582,324)</u>
Changes in net assets	11,048,662	1,096,264	12,144,926	5,901,770
Net assets				
Beginning of year	<u>9,668,290</u>	<u>4,624,564</u>	<u>14,292,854</u>	<u>8,391,084</u>
End of year	<u>\$ 20,716,952</u>	<u>\$ 5,720,828</u>	<u>\$ 26,437,780</u>	<u>\$ 14,292,854</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

Rainforest Alliance, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses
Year Ended December 31, 2019
(With Summarized Comparative Totals for December 31, 2018)

	Program Services				Support Services			Total	2018
	Landscapes and Communities	Markets Transformation	Communications	Total Program Services	Management and General	Fund-Raising	Total Support Services		
Salaries and benefits	\$ 6,736,691	\$ 4,737,075	\$ 1,162,886	\$ 12,636,652	\$ 3,131,362	\$ 1,876,950	\$ 5,008,312	\$ 17,644,964	\$ 16,758,564
Sub-grants	3,229,077	305,560	-	3,534,637	-	-	-	3,534,637	3,125,943
Consultants & professional fees	2,401,289	1,416,735	59,760	3,877,784	588,020	432,336	1,020,356	4,898,140	3,951,503
IT services and licenses	290,347	437,337	19,826	747,510	41,368	141,463	182,831	930,341	747,106
Marketing and subscription fees	254,808	141,958	17,470	414,236	12,683	138,408	151,091	565,327	516,961
Bank and other fees	48,571	68,085	3,066	119,722	1,525	41,782	43,307	163,029	216,389
Insurance expenses	144,512	86,437	9,389	240,338	7,811	23,110	30,921	271,259	196,012
Equipment & materials	291,132	97,063	9,882	398,077	9,560	34,005	43,565	441,642	287,961
Office costs	1,144,648	630,621	76,188	1,851,457	86,043	259,513	345,556	2,197,013	1,668,943
Travel	1,297,577	788,526	25,293	2,111,396	49,487	60,935	110,422	2,221,818	1,844,981
Training & workshops	842,491	49,216	1,054	892,761	31,100	2,925	34,025	926,786	450,446
Depreciation and amortization	72,469	836,593	4,324	913,386	899	8,044	8,943	922,329	892,486
Special event expenses	-	-	-	-	-	238,747	238,747	238,747	-
Bad debt expense (recovery)	10,000	(9,712)	-	288	6,522	-	6,522	6,810	323,425
	16,763,612	9,585,494	1,389,138	27,738,244	3,966,380	3,258,218	7,224,598	34,962,842	30,980,720
In-kind services and supplies	-	-	310,889	310,889	750,225	69,487	819,712	1,130,601	1,122,588
	<u>\$ 16,763,612</u>	<u>\$ 9,585,494</u>	<u>\$ 1,700,027</u>	<u>\$ 28,049,133</u>	<u>\$ 4,716,605</u>	<u>\$ 3,327,705</u>	<u>\$ 8,044,310</u>	<u>\$ 36,093,443</u>	<u>\$ 32,103,308</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

Rainforest Alliance, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Changes in net assets	\$ 12,144,926	\$ 5,901,770
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	922,329	922,920
Bad debt expense	6,810	323,425
Net present value adjustment	(9,440)	44,370
Realized and unrealized (gains) losses on investments	(134,894)	64,759
Exchange rate loss	10,795	138,080
Deferred rent liability	(57,886)	(39,678)
Changes in assets and liabilities		
Grants and contributions receivable	(402,823)	(1,871,884)
Royalty and other contract receivables	912,107	(204,731)
Contract assets	(2,216,673)	(3,898,749)
Due from affiliate	(150,850)	-
Advances and prepaid expenses	(195,487)	(136,836)
Security deposits	20,855	(33,646)
Accounts payable and accrued expenses	(628,095)	(2,247,604)
Foreign severance payable	97,110	102,662
Contract liabilities	(58,549)	308,205
Refundable grants payable	(171,176)	388,237
Net cash provided by (used in) continuing operating activities	10,089,059	(238,700)
Discontinued operations - RA-Cert	310,567	1,069,058
Net cash provided by operating activities and discontinued operations	<u>10,399,626</u>	<u>830,358</u>
Investing activities		
Amount paid to seller in connection with acquisition of intangibles	(1,000,000)	(500,000)
Purchase of investments and reinvested income	(13,297,369)	(3,661,321)
Sale of investments	5,191,000	4,991,236
Purchase of property and equipment	(401,470)	(28,927)
Net cash provided by (used in) investing activities	<u>(9,507,839)</u>	<u>800,988</u>
Effects of exchange rates on cash and cash equivalents	<u>(10,795)</u>	<u>(138,080)</u>
Net change in cash and cash equivalents	880,992	1,493,266
Cash and cash equivalents		
Beginning of year	<u>8,135,585</u>	<u>6,642,319</u>
End of year	<u>\$ 9,016,577</u>	<u>\$ 8,135,585</u>

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

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

1. ORGANIZATION AND NATURE OF ACTIVITIES

Rainforest Alliance, Inc. (“RA” or the “Organization”) is an international non-profit organization, organized in 1987 in the State of New York with branches and affiliates in various countries. Its mission is to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behavior. All the activities of its branches and affiliates are included in these consolidated financial statements. RA conducts the majority of its activities throughout North America, Central America, South America, Africa, Europe and Southeast Asia.

Significant sources of revenues are received from contributions and royalties and other contract revenues.

Effective January 1, 2018, RA merged with Stichting UTZ (now known as Stichting Rainforest Alliance), a Dutch Foundation that has the exempt status of a public benefit organization pursuant to Dutch law. Also effective January 1, 2018, Rainforest Alliance Holding, Inc., organized in the State of Delaware, was established for the purpose of serving as the controlling parent entity of both RA and Stichting Rainforest Alliance. RA’s consolidated financial statements are included in Rainforest Alliance Holding, Inc.’s consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include all of the assets, liabilities, net assets, revenues and expenses of all branches and affiliates of Rainforest Alliance, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions.

The net assets of RA are reported as follows:

Without Donor Restrictions: Net assets without donor restrictions are net assets that are not restricted by donor-imposed stipulations and are available for the general operations of RA.

With Donor Restrictions: Net assets with donor restrictions include gifts of cash and other assets received with donor stipulations that limit the use of the donated assets or that cannot be satisfied by either the actions of RA or through the passage of time. These net assets include donor restricted endowments, unconditional contributions and contributions with programmatic restrictions.

Operating Measure

RA presented an intermediate measure of operations. Activities presented outside the operating measure include items that are unusual or infrequent. RA classifies contributions from affiliates as nonoperating activity due to the nature of these contributions.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
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Prior Year Summarized Comparative Consolidated Information

Consolidated information as of and for the year ended December 31, 2018, is presented for comparative purposes only. Certain activity by net asset classification in the consolidated statement of activities and changes in net assets and consolidated statement of functional expenses is not included in this report. Accordingly, 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 RA's consolidated financial statements as of and for the year ended December 31, 2018, from which the summarized comparative consolidated information was derived.

Estimates

The presentation of consolidated 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 disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in these consolidated financial statements consist of the potential foreign payroll tax liability (Note 13) and the contract assets related to royalty revenues (Note 3). There is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Tax Status

RA is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and no provision for such income tax has been reflected in the accompanying consolidated financial statements. RA has evaluated uncertain tax positions with respect to its U.S. operations and concluded there are no such positions at December 31, 2019 and 2018. RA has operations in other countries and is subject to the laws and regulations of those countries. During the years ended December 31, 2019 and 2018, RA paid approximately \$36,000 and \$12,000, respectively, in foreign income taxes in addition to VAT taxes to foreign jurisdictions. RA did not recognize any tax related interest or penalties during the periods in question.

Contribution Revenue

RA recognizes contributions, including unconditional promises to give, as revenue in the period received or pledged. Non-cash contributions of property are recorded at their fair value on the date of donation. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met. Revenue from government and private grant and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Payments received in advance of conditions being met are recorded as refundable grants payable on the consolidated statements of financial position. Included in refundable grants payable at December 31, 2019 and 2018 and 2018 are \$1,174,766 and \$1,345,942, respectively, of grant and contract receipts. Future funding from government and private grant and contract agreements is dependent on fiscal funding clauses and available appropriations from granting agencies and organizations.

Contributions, net assets and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Rainforest Alliance, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

RA recognizes donated goods and services provided which had an ascertainable value and were an integral part of RA's program services at the fair market value of the services or goods received. RA received donated services in the form of legal, advertising and professional fees. Additionally, RA received donated goods for their gala and other purposes. These donated goods and services are included in in-kind contributions on the consolidated statement of activities and changes in net assets and as in-kind services and supplies on the consolidated statement of functional expenses.

Special Events

Special event revenues are presented net of the direct costs of the event.

Revenue from Contracts with Customers

Royalty Revenues

RA has determined that royalty revenues shall be accounted for as revenue from contracts with customers in accordance with ASC 606. RA enters into contracts with customers whereby RA licenses its Rainforest Alliance Certified Seal (the "Seal") to customers by granting them the non-exclusive non-transferable right to reproduce the Seal on their own product packaging and off-product promotional materials for products which RA has issued a transaction certificate. Certified products carry RA's green frog logo. The green frog certification seal indicates that a farm, forest, or tourism enterprise has been audited to meet standards that require environmental, social, and economic sustainability.

In order to become certified, farms must meet criteria of the Rainforest Alliance Sustainable Agriculture Standard ("The Standard"). The Standard encompasses all three pillars of sustainability—social, economic, and environmental. Rainforest Alliance Certified farms are audited regularly to verify that farmers are complying with the Standard's comprehensive requirements, which require continual improvement on the journey to sustainable agriculture. The Standard is built on these important principles of sustainable farming:

- Biodiversity conservation
- Improved livelihoods and human well-being
- Natural resource conservation
- Effective planning and farm management systems

RA provides that purchasers of Certified Farm Product are eligible to become an authorized licensee of the Seal with respect to the Certified Farm Product. Royalties are assessed based on the volume (weight) of the Certified Farm Product purchased for which RA has issued a Transaction Certificate at the applicable rate for the product as set forth in the contract, which varies based on the products that RA certifies which fall into the following main buckets: Coffee, Tea, Cocoa, Bananas, Coconut Oil and Juice. Generally, invoices are issued quarterly and payments are due within 45 days of invoice. Contract assets include royalties that are calculated and earned but not yet invoiced to the customer.

RA accounts for royalty revenue as a sales and/or usage based royalty arrangement. Revenue is therefore, recognized at the later of the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated or satisfied OR the subsequent sale or usage occurs. RA therefore, recognizes revenue when the purchase of Certified product occurs which is the time at which the royalty accrues per the contract and also represents the fulfillment of the performance obligations which involve RA certifying farms and tracking the Certified Farm Product through the supply chain utilizing RA's Marketplace System.

Rainforest Alliance, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Other Contract Revenue

RA performs various engagements for clients whereby they perform specialized technical projects, such as sustainable supply chain consulting, process auditing, training, research and other advisory related services and has classified revenues into advisory contracts and risk assessment engagements. These services are performed for companies all over the world and each contract is evaluated individually for revenue recognition in accordance with ASC 606. Revenue from risk assessment engagements is recognized at a point in time. Revenue from advisory engagements is recognized over time as the contracts are either cost-reimbursable grant contracts that RA is paid based on allowable expenditures incurred and the benefit derived by the customer is through the time spent by RA employees and the materials they purchase to carry out the project or based upon work that is consumed over time by the customer. Contract liabilities include billings in excess of revenue recognized.

Receivables and Credit Policies

Receivables represent unsecured, non-interest bearing obligations due from customers. In the normal course of business, RA grants credit directly to certain customers after a credit analysis based on financial and other criteria and generally requires no collateral. RA reviews the receivables and has established an allowance for doubtful accounts.

Grants and Contributions Receivable

Grants and contributions receivable mainly consist of government grant receivables and unconditional contribution receivables. The Organization monitors the collectability of these receivables and has determined that no allowance for uncollectible accounts was necessary at December 31, 2019 and 2018.

Sub-Grants

RA recognizes grants made, classified as Sub-grants on the consolidated statement of functional expenses, including unconditional promises, as expenses in the period made. Conditional promises, that is, those with a measurable performance or other barrier, and a right of return/release, are not recognized in expense until the conditions on which they depend have been substantially met.

Cash and Cash Equivalents

RA considers all highly liquid financial instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Investments in equity securities are stated at fair value. Investments in debt securities are stated at amortized cost. Gains and losses, both realized and unrealized, resulting from changes in the fair value of investments are reflected in the consolidated statement of activities and changes in net assets as increases or decreases in net assets without restrictions unless the use is restricted by explicit donor stipulations or by law.

Fair Value Measurements

RA has reviewed investments within the framework for measuring fair value which establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

Rainforest Alliance, Inc. and Subsidiaries
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The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities RA has the ability to access.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (The unobservable inputs should be developed based on the best information available in the circumstances and may include RA's own data).

Property and Equipment

Property and equipment is recorded at cost, except for donated items which are recorded at fair value on the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor renewals are charged to operations as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the property and equipment as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Furniture and equipment	5-10
Software	3
Leasehold improvements	Shorter of term of lease or life of asset

Intangible Assets

RA's intangible assets consisted of a database, non-compete agreement and intellectual property and was treated as a single group of identifiable assets. RA's intangible assets are amortized over their estimated useful life which was determined to be 2.5 years.

Valuation of Long-Lived Assets

RA reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. RA has determined that no assessment was required for the period presented in these consolidated financial statements.

Security Deposits

Security deposits represent funds paid to landlords which are held until a lease expires or is terminated. RA did not classify these assets as restricted cash for purposes of the consolidated statements of cash flows.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets and in detail on the consolidated statement of functional expenses. Expenses, other than indirect expenses, are directly charged to the program that derives the direct benefit. Indirect expenses are allocated to the various program and supporting services based on the ratio of direct expense for any one function to total direct expenses of all functional areas or programs. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Office expenses	Time and effort, headcount, direct expenses
Occupancy	Headcount
Travel	Time and effort, direct expenses
Workshops	Time and effort, direct expenses
Depreciation	Direct expenses

Programs

The following is a summary of RA's primary programs:

Landscapes and Communities – advances long-term, landscape-level initiatives to support sustainable, community-based development in communities vulnerable to ecological and social destruction including farming certification projects encouraging farmers to use best practices in environmental protection, social equality, and economic viability and forest communities to harvest and manufacture forest products in a sustainable way. This also includes evaluating and communicating program impacts and developing and implementing effective, scientifically-based strategies, programs and projects through monitoring, evaluation, and results-based management that follows industry best practice.

Markets Transformation - helps organizations across the forestry, agriculture and tourism value chains to successfully integrate sustainability into their business practices from sustainable production to sustainable consumption.

Communications – responsible for outreach and education of the public on certification standards, sustainable practices and RA's work around the world and producing and publishing studies focused on forestry, agriculture and certification.

Translation of Foreign Currencies

The foreign operations of RA occur in functional currencies other than the U.S. dollar. The revenues and expenses occurring in foreign currencies are translated into U.S. dollars using an average monthly rate of exchange. Assets and liabilities are translated using the rate of exchange at the consolidated statements of financial position date. The related translation adjustments of approximately (\$11,000) and (\$138,000) for the years ending December 31, 2019 and 2018, respectively are included in other income in the consolidated statement of activities and changes in net assets and the consolidated statements of cash flows.

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Effect of Accounting Pronouncements Adopted in the Current Year

Revenue Recognition – Contracts with Customers

The Financial Accounting Standards Board (“FASB”) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (“ASC”). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*). ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*, which requires the deferral of incremental costs of obtaining a contract with a customer. All references to the “new guidance” include ASC 606 and/or ASC 340-40.

RA adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. No adjustment to net assets as of January 1, 2019 was necessary. RA applied the new guidance using the practical expedient provided in ASC 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in minimal changes to the Company’s accounting policies for revenue recognition, trade and other receivables, contract costs, contract liabilities, and deferred costs.

Contribution Revenue Recognition

During 2019, RA adopted ASU 2018-08 – *Not-for-profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transaction or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. The adoption of this ASU required RA to reclassify grants and contracts revenue which were previously denoted as exchange transactions to conditional contributions. This change had no effect on timing of revenue recognition.

Financial Instruments

During 2019, RA adopted ASU 2016-01, *Financial Instruments* (Topic 825). This ASU required all equity securities to be measured at fair value with changes in the fair value recognized through changes in net assets. In addition, the amendments in this ASU eliminated the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. Upon adoption, RA reclassified investments in treasury securities to be disclosed at amortized cost.

New Accounting Pronouncements Issued Not Yet Effective

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”), which requires lessees to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the statement of financial position, ASU 2016-02 will require both types of leases to be recognized on the statement of financial position. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective beginning January 1, 2021, with early application permitted.

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3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Royalty Revenues

RA's royalty revenue is generated from companies around the world, specifically in regions where the certified products are grown. RA's contracts and royalties are based on purchase of Certified Farm Product and are affected by the demand for the products being purchased. Revenue from royalties is recognized over time and was related to the following crops for the years ending December 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Cocoa	\$ 2,744,464	\$ 3,702,519
Coffee	10,631,767	10,959,817
Tea	2,854,298	2,508,106
Coconut oil	91,644	18,004
Juice	220,183	-
Bananas	<u>1,775,787</u>	<u>2,221,701</u>
	<u>\$ 18,318,143</u>	<u>\$ 19,410,147</u>

Other Contract Revenues

RA's other contract revenues represent contracts whereby the customer receives direct commensurate value and comprise risk assessment engagements and advisory engagements.

The following represents revenue for these categories at December 31:

	<u>2019</u>	<u>2018</u>
Advisory agreements	\$ 1,964,090	\$ 1,830,772
Risk assessment engagements	<u>115,463</u>	<u>60,739</u>
	<u>\$ 2,079,553</u>	<u>\$ 1,891,511</u>

Contract Balances

Royalty and other contract receivables and contract balances from contracts with customers for the years ended December 31, 2019, 2018 and 2017, were as follows:

	<u>Royalty and Other Contract Receivables</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
December 31, 2019	<u>\$ 1,691,328</u>	<u>\$ 6,115,422</u>	<u>\$ 1,197,781</u>
December 31, 2018	<u>\$ 2,610,245</u>	<u>\$ 3,898,749</u>	<u>\$ 1,256,330</u>
December 31, 2017	<u>\$ 7,806,750</u>	<u>\$ -</u>	<u>\$ 948,125</u>

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4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of liabilities, were as follows:

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents	\$ 9,016,577	\$ 8,135,585
Grants and contributions receivable	4,984,363	4,582,895
RA-Cert receivables	-	310,567
Royalty and other contract receivables, net	1,691,328	2,610,245
Contract assets	6,115,422	3,898,749
Investments	10,929,898	2,688,635
Total financial assets	<u>32,737,588</u>	<u>22,226,676</u>
Less amounts not available for general expenditure within one year		
Net assets with donor restrictions	(5,720,828)	(4,624,564)
Long term receivables	<u>(50,000)</u>	<u>(792,492)</u>
	<u>(5,770,828)</u>	<u>(5,417,056)</u>
Financial assets available to meet general expenditures over the next twelve months	26,966,760	16,809,620
Liquidity resources		
Available line of credit	<u>1,800,000</u>	<u>1,800,000</u>
Total financial assets and liquidity resources	<u>\$ 28,766,760</u>	<u>\$ 18,609,620</u>

RA manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. RA's cash flows have fluctuations during the year attributable to the timing of operations and repayment from funding sources which varies on a funding source basis. Additionally, included within net assets with donor restrictions are funds that are tied to specific projects that can be expended in the subsequent year when the donor purpose is met (see Note 14). To help manage unanticipated liquidity needs, RA has a committed line of credit in the amount of \$1.8 million, which is available to be drawn upon.

5. GRANTS AND CONTRIBUTIONS RECEIVABLE

RA had outstanding grants and contributions receivable due to be collected as follows at December 31:

	<u>2019</u>	<u>2018</u>
Grants and contributions expected to be collected		
In one year or less	\$ 4,966,792	\$ 3,790,403
Between one and five years	<u>52,501</u>	<u>836,862</u>
	5,019,293	4,627,265
Less: Discount to present value	<u>(34,930)</u>	<u>(44,370)</u>
Grants and contributions receivable, net	<u>\$ 4,984,363</u>	<u>\$ 4,582,895</u>

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6. INVESTMENTS AND FAIR VALUE

Investments consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Equity ETF	\$ 4,688	\$ 4,049
US Treasury Bills	10,895,986	2,657,640
Other investments	<u>29,224</u>	<u>26,946</u>
	<u>\$ 10,929,898</u>	<u>\$ 2,688,635</u>

Investment income related to these investments and interest earned on cash accounts is included in other income on the consolidated statement of activities and changes in net assets and is comprised of the following for the years ending December 31:

	<u>2019</u>	<u>2018</u>
Realized and unrealized gains (losses)	\$ 134,894	\$ (64,759)
Interest income	<u>22,852</u>	<u>127,348</u>
	<u>\$ 157,746</u>	<u>\$ 62,589</u>

The following table summarizes the carrying and fair value information for investments at December 31:

	<u>2019</u>			
	<u>Fair Value</u>		<u>Amortized Cost</u>	<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>		
Equity ETF	\$ 4,688	\$ -	\$ -	\$ 4,688
US Treasury Bills	-		10,895,986	10,895,986
Other investments	<u>-</u>	<u>29,224</u>	<u>-</u>	<u>29,224</u>
	<u>\$ 4,688</u>	<u>\$ 29,224</u>	<u>\$ 10,895,986</u>	<u>\$ 10,929,898</u>
	<u>2018</u>			
	<u>Fair Value</u>		<u>Amortized Cost</u>	<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>		
Equity ETF	\$ 4,049	\$ -	\$ -	\$ 4,049
US Treasury Bills	-		2,657,640	2,657,640
Other investments	<u>-</u>	<u>26,946</u>	<u>-</u>	<u>26,946</u>
	<u>\$ 4,049</u>	<u>\$ 26,946</u>	<u>\$ 2,657,640</u>	<u>\$ 2,688,635</u>

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7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 653,859	\$ 511,586
Software	8,996	8,996
Leasehold improvements	<u>1,073,136</u>	<u>813,404</u>
	1,735,991	1,333,986
Less: Accumulated depreciation	<u>1,094,639</u>	<u>971,775</u>
	<u>\$ 641,352</u>	<u>\$ 362,211</u>

Depreciation expense amounted to \$122,329 and \$122,920 for the years ended December 31, 2019 and 2018, respectively, and is included in depreciation and amortization expense in the consolidated statement of functional expenses.

8. INTANGIBLE ASSETS

Effective July 2017, RA and the Sustainable Agriculture Network (“SAN”) entered into an agreement whereby SAN would transfer the RA-SAN certification scheme to RA, along with related intellectual property licenses, in exchange for total payments of \$2,000,000 over the term of the agreement which is 2.5 years. RA amortized the intangible asset over the term of the agreement. Amortization expense amounted to \$800,000 for each of the years ending December 31, 2019 and 2018. The intangible assets were fully amortized as of December 31, 2019.

9. IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following for the years ending December 31:

	<u>2019</u>	<u>2018</u>
Legal services	\$ 750,225	\$ 721,435
Advertising	310,889	273,200
Products and services	10,467	8,398
Gala event services	<u>59,020</u>	<u>119,555</u>
	<u>\$ 1,130,601</u>	<u>\$ 1,122,588</u>

10. RETIREMENT PLANS AND FOREIGN SEVERANCE PAYABLE

RA has a qualified tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code for eligible employees in the United States. RA offers all eligible employees working more than 20 hours per week a matching contributory retirement plan. Employees can begin making contributions immediately upon hire and are eligible for an employer matching contribution of up to 5% of salary after one year of employment. The Organization made matching contributions totaling approximately \$375,000 and \$426,000 for the years ended December 31, 2019 and 2018, respectively.

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RA has recorded an obligation for foreign severance payable in accordance with the laws in the locations for employees working in certain foreign jurisdictions of approximately \$2,340,000 and \$2,243,000 at December 31, 2019 and 2018, respectively, which is included in foreign severance payable in the consolidated statements of financial position. The foreign severance reserve is an estimate that is based on the laws of each foreign jurisdiction but generally is computed based on the years of employment for each employee as well as other factors and varies based on the individual laws within the foreign country. The obligation is required to be funded when an employee's employment with RA terminates.

11. CONCENTRATION OF CREDIT RISK AND FOREIGN CURRENCY RISK

Financial instruments, which potentially subject RA to concentrations of credit risk, consist of cash and cash equivalents, investments in foreign banks, investments, receivables and foreign currency risk. As of December 31, 2019 and 2018, RA had approximately \$1,605,000 and \$2,929,000, respectively, in foreign banks which is not insured by the FDIC or any Federal or state agency. Management monitors the soundness of these institutions and has not experienced any losses. Investments are placed in high credit quality financial instruments. Although subject to market fluctuation, this investment policy limits RA's exposure to concentrations of credit risk.

RA has a long standing history of collecting its receivables which are from corporations, foundations and governmental agencies throughout the world. This limits RA's exposure to credit risk. There were grants and contributions receivable outstanding from two donors that comprise 38% and 36% of the outstanding balance at December 31, 2019 and 2018, respectively.

RA received revenues from foreign governments and other organizations of approximately \$5,012,000 and \$4,650,000 which is included in grants and contracts at December 31, 2019 and 2018, respectively.

Foreign currency risk is the risk to RA that arises from fluctuations in foreign currency exchange rates, and the degree of volatility of these rates. Consequently, some assets, liabilities and expenses are exposed to foreign exchange fluctuations. The Organization does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. The assets and liabilities held in other foreign currencies include cash, severance and payroll liabilities.

12. LINE OF CREDIT

The Organization has a line of credit due on demand with no stated maturity date, from a financial institution for a maximum borrowing of \$1,800,000. Interest is computed at LIBOR plus 2.750%, which was 4.513% and 5.253% at December 31, 2019 and 2018, respectively. The borrowings are secured by the Organization's investments. The Organization had no drawdowns and no outstanding balance for the years ended December 31, 2019 and 2018.

13. COMMITMENTS AND CONTINGENCIES

Operating Leases

RA leases office space in New York and in various other locations in the United States and in several foreign localities under leases that expire through June 2027. These leases provide for minimum annual rentals, real estate taxes and other costs. Rent expense for the leases totaled approximately \$2,077,000 and \$1,561,000 for the years ending December 31, 2019 and 2018, respectively, which is included in office expense in the consolidated statement of functional expenses. Annual rent expenses paid under the leases include the basic rent plus charges for common area management costs and real estate tax escalation charges. Some of the leases are subject to rent escalation clauses. Rental expense incurred in advance of rent paid is included in deferred rent liability on the consolidated statements of financial position.

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During 2019, RA sub-leased their New York office space in a sublease agreement that expires May 2024. Additionally, during 2019 RA entered into a lease agreement that expires in September 2026 for lower-cost office space from another NGO in New York. The commitment of rent under non-cancellable lease agreements for the next five years and in the aggregate thereafter, net of sublease income is as follows:

<u>Year</u>	<u>Rental Commitments</u>	<u>Subrental Subrental Income</u>	<u>Rental Commitments, Net</u>
2020	\$ 2,009,063	\$ 1,213,666	\$ 795,397
2021	2,011,323	1,250,075	761,248
2022	1,981,444	1,287,578	693,866
2023	1,293,803	1,326,206	(32,403)
2024	689,101	515,578	173,523
2025 and thereafter	<u>1,286,200</u>	<u>-</u>	<u>1,286,200</u>
	<u>\$ 9,270,934</u>	<u>\$ 5,593,103</u>	<u>\$ 3,677,831</u>

Government Grants and Contracts

RA receives funding from various federal and foreign agencies under grants and contracts, many of which have commitments spanning multiple years. RA has available funding under federal agency contracts through July 2023 of approximately \$6,229,000. RA's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the consolidated financial position or changes in net assets of RA.

Foreign Payroll Tax

RA has recorded an obligation for estimated potential foreign payroll tax liabilities in accordance with the laws in the locations for employees working in certain foreign jurisdictions of approximately \$349,000 and \$523,000 at December 31, 2019 and 2018, respectively, which is included in accounts payable and accrued expenses in the consolidated statements of financial position. During the years ended December 31, 2019 and 2018, \$0- and \$124,679, respectively, was paid relating to these foreign payroll tax liabilities.

General Litigation

The Organization is subject to legal proceedings and claims which arise in the ordinary course of business. Management does not believe that the outcome of any of these matters will have a material adverse effect on the consolidated financial position, operating results or cash flows.

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14. NET ASSETS

Net assets with donor restrictions were comprised of the following at December 31:

	<u>2019</u>	<u>2018</u>
Programmatic restrictions		
Landscapes and communities	\$ 4,166,213	\$ 2,557,398
Markets transformation	379,011	890,052
Development campaign	150,964	150,964
Charitable trusts	24,640	26,150
Donor endowed principal	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 5,720,828</u>	<u>\$ 4,624,564</u>

The following is a schedule of net assets that were released from donor restrictions for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Programmatic restrictions		
Landscapes and communities	\$ 11,180,115	\$ 9,455,402
Markets transformation	1,084,857	1,309,760
Charitable trusts	<u>1,510</u>	<u>1,374</u>
	<u>\$ 12,266,482</u>	<u>\$ 10,766,536</u>

15. ENDOWMENT FUNDS

RA's endowment is comprised of one donor-restricted endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

Under the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), a charitable organization can only spend amounts of an endowment funds' above "historic dollar value" that it deems to be prudent. With respect to its existing endowment fund, RA has followed the donor instrument in classifying as permanently restricted net assets at the original value of the gift donated to the permanent endowment. Investment earnings on the donor-restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by RA pursuant to its obligations under the agreement with the donor and applicable law.

RA conducts an annual analysis of the endowment fund with respect to:

- (1) Its historic value
- (2) Donor restrictions on the use of income or appreciation and the effect of the restriction
- (3) Any loss affecting the historic dollar value
- (4) The amount of the fund's appreciation held in non-readily available marketable securities
- (5) The amount of appreciation in the fund attributable to an inflation factor since the inception of the fund

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RA has developed an investment policy that will determine return objectives and risk parameters, and strategies employed for achieving objectives. The following table provides information regarding the change in endowment net assets for the year ended December 31:

	<u>2019</u>	<u>2018</u>
Endowment assets at beginning of year	\$ 1,047,611	\$ 1,102,551
Expenditures	<u>(41,237)</u>	<u>(45,090)</u>
Investment return		
Investment income	9,450	19,693
Unrealized gain (loss)	<u>22,311</u>	<u>(29,543)</u>
	<u>31,761</u>	<u>(9,850)</u>
Endowment assets at end of year	<u>\$ 1,038,135</u>	<u>\$ 1,047,611</u>
Investment by type of fund		
Donor restricted endowment		
Historical gift value	\$ 1,000,000	\$ 1,000,000
Appreciation	<u>38,135</u>	<u>47,611</u>
Endowment assets at end of year	<u>\$ 1,038,135</u>	<u>\$ 1,047,611</u>

RA invests the endowment funds in a separate investment account. The investment account associated with the endowment, which is included in investments in the consolidated statements of financial position, had a fair value of approximately \$1,231,000 and \$1,199,000 as of December 31, 2019 and 2018, respectively. Donor-restricted funds released from restriction in the current year are transferred from the investment account in subsequent years in accordance with RA's spending policy.

16. SALE OF RA-CERT AND DISCONTINUED OPERATIONS

During 2018, RA sold its assets in connection with its RA-Cert line of business. This sale represented a strategic shift in RA's operations and as such was recorded as a discontinued operation in the consolidated statement of activities and changes in net assets. RA sold certain assets such as customer lists and other assets which had no basis and transferred certain liabilities amounting to approximately \$380,000 in connection with its RA-Cert line of business. The total sale amount is contingent upon future revenues. RA received a \$750,000 nonrefundable payment upon transfer of assets and liabilities in 2018. In addition, for 5 years after the sale, RA will receive amounts ranging from 4.87% to 7.42% of applicable annual revenue. RA recognized a gain from discontinued operations of \$573,000 and \$370,000 for the years ended December 31, 2019 and 2018, respectively. During 2018, RA-Cert revenues prior to the sale were \$6,820,920 and expenses were \$7,773,604.

Continuing Involvement

RA will continue to collect revenues each year of the term based on a percentage of applicable annual revenues. In addition to the collection of the receipts from applicable annual revenue, RA signed a license agreement with the buyer whereby the buyer will have the right to utilize the Rainforest Alliance Certified Seal at no charge.

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17. RELATED PARTY TRANSACTIONS

During 2019, RA received a contribution of \$7.6m from Stichting Rainforest Alliance, its affiliate through common ownership. No contributions from Stichting Rainforest Alliance were received in 2018.

RA had a receivable due from Stichting Rainforest Alliance in the amount of \$150,850 at December 31, 2019 due to expenses paid by RA allocated to Stichting Rainforest Alliance. No amounts were due in 2018.

18. SUBSEQUENT EVENTS

RA has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of May 13, 2020, which is the date the consolidated financial statements were available for release. Based upon this evaluation, RA has determined that the following events occurred:

Risks Related to Contagious Diseases

The current outbreak of a novel strain of coronavirus (COVID-19) first identified in Wuhan, China is significantly impacting businesses across the world. On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern". While the duration of business interruption from this outbreak and related financial impact cannot be reasonably estimated at this time, financial results, including investment results, and exchange rate fluctuations may be adversely affected in 2020. The extent to which the coronavirus impacts operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

CARES Loan

During April 2020, the Organization received a loan from a financial institution authorized through the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in the amount of approximately \$1,782,000. The loan may be forgiven upon a review by the financial institution of the Organization's use of the loan proceeds in accordance with the CARES Act. If the financial institution determines that the criteria for debt forgiveness has not been met, the loan matures 2 years from the date of the loan and interest accrues at 1% per year. Any such debt forgiveness would be recognized at the time that the financial institution completed the aforementioned review and approved the forgiveness of the loan.