



RAINFOREST ALLIANCE

RAINFOREST ALLIANCE HOLDING, INC. AND AFFILIATES
Consolidated Financial Statements
December 31, 2020
(With Summarized Comparative Consolidated Information
For the Year Ended December 31, 2019)
With Independent Auditor's Report

Rainforest Alliance Holding, Inc. and Affiliates
Table of Contents
December 31, 2020 and 2019

Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-25
Supplementary Information	
Consolidating Statement of Financial Position	26
Consolidating Statement of Activities and Changes in Net Assets	27

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Rainforest Alliance Holding, Inc. and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020, 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 did not audit the financial statements of Stichting Rainforest Alliance, which statements reflect total assets constituting 24% and 43% of consolidated total assets at December 31, 2020 and 2019, respectively and total revenues constituting 47% and 42%, respectively of consolidated total revenues for the years then ended. Those statements, which were prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, were audited by other auditors, in accordance with Dutch Law and Dutch Standards on Auditing and whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Stichting Rainforest Alliance, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for Stichting Rainforest Alliance, prior to these conversion adjustments, is based solely on the report of the other auditors and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America.

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, based on our audit and the report of, and additional audit procedures performed by, the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rainforest Alliance Holding, Inc. and Affiliates as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities and changes in net assets (collectively the "supplementary information") are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information referenced above is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Consolidated Information

We have previously audited the Organization's December 31, 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 13, 2020 based on our audit and the report of, and additional audit procedures performed by, other auditors. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended December 31, 2019 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".

August 6, 2021

Rainforest Alliance Holding, Inc. and Affiliates
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 14,985,868	\$ 20,879,830
Grants and contributions receivable, net	3,694,541	4,934,363
Royalty and other contract receivables, net	13,903,845	11,448,715
Contract assets	2,082,992	6,115,422
Advances and prepaid expenses	3,153,982	3,043,761
Investments	<u>30,123,469</u>	<u>9,891,763</u>
Total current assets	<u>67,944,697</u>	<u>56,313,854</u>
Property and equipment, net	<u>971,634</u>	<u>881,370</u>
Intangible assets, net	<u>4,498,988</u>	<u>1,569,962</u>
Other assets		
Grants and contributions receivable - net of current portion	-	50,000
Security deposits	325,851	363,619
Investments	<u>1,110,557</u>	<u>1,038,135</u>
Total other assets	<u>1,436,408</u>	<u>1,451,754</u>
 Total assets	 <u>\$ 74,851,727</u>	 <u>\$ 60,216,940</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 9,687,075	\$ 10,650,399
Contract liabilities	1,477,966	1,197,781
Refundable advances payable	6,157,536	3,049,117
Paycheck Protection Program loan payable, current portion	<u>368,150</u>	<u>-</u>
Total current liabilities	17,690,727	14,897,297
Long-term liabilities		
Paycheck Protection Program loan payable, net of current portion	1,414,560	-
Deferred rent liability	495,768	553,396
Foreign severance payable	<u>4,841,249</u>	<u>3,978,925</u>
Total liabilities	<u>24,442,304</u>	<u>19,429,618</u>
Net assets		
Without donor restrictions	46,485,585	35,066,494
With donor restrictions	<u>3,923,838</u>	<u>5,720,828</u>
Total net assets	<u>50,409,423</u>	<u>40,787,322</u>
 Total liabilities and net assets	 <u>\$ 74,851,727</u>	 <u>\$ 60,216,940</u>

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

Rainforest Alliance Holding, Inc. and Affiliates
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020
(With Summarized Comparative Totals for the Year Ended December 31, 2019)

	<u>December 31, 2020</u>			<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Support and revenues				
Contributions				
Major donors and individuals	\$ 4,707,607	\$ 204,751	\$ 4,912,358	\$ 5,659,057
Foundations and corporate grants	78,533	3,317,956	3,396,489	4,918,760
Government grants and contracts	-	11,828,253	11,828,253	11,302,896
Special events - net	134,025	-	134,025	710,345
In-kind contributions	963,077	-	963,077	1,130,601
Revenue from contracts with customers				
Royalty revenue	49,347,798	-	49,347,798	42,933,463
Other contract revenue	2,042,454	-	2,042,454	2,494,157
Net investment income	1,353,297	100,070	1,453,367	157,746
Other income (loss)	(96,741)	-	(96,741)	174,501
Net assets released from restrictions	<u>17,248,020</u>	<u>(17,248,020)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>75,778,070</u>	<u>(1,796,990)</u>	<u>73,981,080</u>	<u>69,481,526</u>
Expenses				
Program services				
Landscapes and communities	26,033,940	-	26,033,940	25,877,236
Markets transformation	22,678,557	-	22,678,557	22,740,352
Communications	<u>2,838,827</u>	<u>-</u>	<u>2,838,827</u>	<u>2,390,501</u>
Total program services	<u>51,551,324</u>	<u>-</u>	<u>51,551,324</u>	<u>51,008,089</u>
Supporting services				
Management and general	11,022,827	-	11,022,827	9,026,843
Fundraising	<u>2,824,815</u>	<u>-</u>	<u>2,824,815</u>	<u>3,327,705</u>
Total supporting services	<u>13,847,642</u>	<u>-</u>	<u>13,847,642</u>	<u>12,354,548</u>
Total expenses	<u>65,398,966</u>	<u>-</u>	<u>65,398,966</u>	<u>63,362,637</u>
Changes in net assets from continuing operations	10,379,104	(1,796,990)	8,582,114	6,118,889
Nonoperating revenue (expense)				
Foreign currency translation gain (loss)	<u>597,283</u>	<u>-</u>	<u>597,283</u>	<u>(229,249)</u>
Change in net assets before discontinued operations	10,976,387	(1,796,990)	9,179,397	5,889,640
Discontinued operations (see Note 17)	<u>442,704</u>	<u>-</u>	<u>442,704</u>	<u>573,052</u>
Changes in net assets	11,419,091	(1,796,990)	9,622,101	6,462,692
Net assets				
Beginning of year	<u>35,066,494</u>	<u>5,720,828</u>	<u>40,787,322</u>	<u>34,324,630</u>
End of year	<u>\$ 46,485,585</u>	<u>\$ 3,923,838</u>	<u>\$ 50,409,423</u>	<u>\$ 40,787,322</u>

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

Rainforest Alliance Holding, Inc. and Affiliates
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020
(With Summarized Comparative Totals for the Year Ended December 31, 2019)

	2020							2019	
	Program Services				Supporting Services			Total	Total
	Landscapes and Communities	Markets Transformation	Communications	Total Program Services	Management and General	Fund-Raising	Total Supporting Services		
Salaries and benefits	\$ 11,974,856	\$ 13,433,289	\$ 1,925,012	\$ 27,333,157	\$ 6,131,049	\$ 1,970,170	\$ 8,101,219	\$ 35,434,376	\$ 31,854,973
Sub-grants	4,957,463	663,723	-	5,621,186	-	-	-	5,621,186	5,919,447
Consultants and professional fees	3,985,879	5,185,677	314,343	9,485,899	1,363,500	393,503	1,757,003	11,242,902	7,775,909
IT services and licenses	220,246	661,881	16,233	898,360	1,556,619	52,215	1,608,834	2,507,194	2,612,313
Marketing and subscription fees	261,312	237,188	17,710	516,210	131,905	167,355	299,260	815,470	777,434
Bank and other fees	115,032	14,486	8,241	137,759	6,384	62,276	68,660	206,419	163,029
Insurance expenses	176,542	70,009	11,286	257,837	76,382	19,647	96,029	353,866	336,996
Equipment and materials	1,026,344	118,485	8,680	1,153,509	106,407	5,010	111,417	1,264,926	599,919
Office costs	1,606,626	765,153	84,737	2,456,516	185,247	124,791	310,038	2,766,554	3,214,716
Travel	937,998	409,693	9,448	1,357,139	25,152	14,239	39,391	1,396,530	4,078,260
Training and workshops	636,680	265,747	4,914	907,341	183,419	7,130	190,549	1,097,890	2,037,933
Depreciation and amortization	129,296	933,312	8,528	1,071,136	731,380	8,479	739,859	1,810,995	2,389,632
Special event expenses	-	-	-	-	-	-	-	-	238,747
Bad debt expense (recovery)	5,666	(80,086)	92	(74,328)	3,784	-	3,784	(70,544)	232,728
	<u>26,033,940</u>	<u>22,678,557</u>	<u>2,409,224</u>	<u>51,121,721</u>	<u>10,501,228</u>	<u>2,824,815</u>	<u>13,326,043</u>	<u>64,447,764</u>	<u>62,232,036</u>
In-kind services and supplies	-	-	429,603	429,603	521,599	-	521,599	951,202	1,130,601
	<u>\$ 26,033,940</u>	<u>\$ 22,678,557</u>	<u>\$ 2,838,827</u>	<u>\$ 51,551,324</u>	<u>\$ 11,022,827</u>	<u>\$ 2,824,815</u>	<u>\$ 13,847,642</u>	<u>\$ 65,398,966</u>	<u>\$ 63,362,637</u>

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

Rainforest Alliance Holding, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Changes in net assets	\$ 9,622,101	\$ 6,462,692
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	1,810,995	2,389,632
Bad debt expense (recovery)	(70,544)	232,728
Net present value adjustment	(34,930)	(9,440)
Realized and unrealized gains on investments	(1,175,171)	(134,894)
Deferred rent	(57,628)	(69,506)
Changes in assets and liabilities		
Grants and contributions receivable	1,324,752	(392,028)
Royalty and other contract receivables	(2,384,586)	(3,345,659)
Contract assets	4,032,430	(2,216,673)
Advances and prepaid expenses	(110,221)	(546,004)
Security deposits	37,768	20,855
Accounts payable and accrued expenses	(963,324)	348,574
Foreign severance payable	862,324	468,010
Contract liabilities	280,185	(58,549)
Refundable advances payable	3,108,419	(45,367)
Net cash provided by continuing operating activities	16,282,570	3,104,371
Discontinued operations - RA-Cert	-	310,567
Net cash provided by operating activities	<u>16,282,570</u>	<u>3,414,938</u>
Investing activities		
Acquisition of intangible assets	(4,404,467)	(824,734)
Acquisition of property and equipment	(425,818)	(498,371)
Amount paid to seller in connection with acquisition of intangibles	-	(1,000,000)
Sale of investments	25,990,481	5,191,000
Purchase of investments and reinvested income	(45,119,438)	(13,297,369)
Net cash used in investing activities	<u>(23,959,242)</u>	<u>(10,429,474)</u>
Financing activity		
Issuance of Paycheck Protection Program loan payable	1,782,710	-
Net cash provided by financing activity	<u>1,782,710</u>	<u>-</u>
Net change in cash and cash equivalents	(5,893,962)	(7,014,536)
Cash and cash equivalents		
Beginning of year	<u>20,879,830</u>	<u>27,894,366</u>
End of year	<u>\$ 14,985,868</u>	<u>\$ 20,879,830</u>
Supplemental disclosure of non-cash information		
Donated property and equipment	<u>\$ 11,875</u>	<u>\$ -</u>

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

Rainforest Alliance Holding, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

1. ORGANIZATION AND NATURE OF ACTIVITIES

Rainforest Alliance Holding, Inc. (“RA Holding”) is an international non-profit organization, organized on January 1, 2018 in the State of Delaware to serve as the common parent nonprofit corporation providing centralized governance and oversight over Rainforest Alliance, Inc. (“RA”) and Stichting Rainforest Alliance (“Stichting RA”). RA Holding is the sole member of RA. RA Holding appoints the board of Stichting RA.

RA 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.

Stichting RA consists of two legal entities: Stichting Rainforest Alliance (a non-profit organization, formerly known as Stichting UTZ), founded on July 3, 2001 and Rainforest Alliance B.V. (the “B.V.”) (a for-profit organization, formerly known as UTZ Certified B.V.), founded on December 3, 2012. Both companies are registered in Amsterdam, Netherlands. Stichting Rainforest Alliance owns 100% of Rainforest Alliance B.V.

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

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 RA Holding, RA and Stichting RA and their subsidiaries, branches and affiliates (collectively the “Organization”). The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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 the Organization are reported as follows:

Net assets without donor restrictions: Net assets that are not restricted by donor-imposed stipulations and are available for the general operations of the Organization.

Net assets 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 the Organization or through the passage of time. These net assets include donor restricted endowments, unconditional contributions and contributions with programmatic restrictions.

Operating Measure

The Organization presented an intermediate measure of operations. RA includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. This measure of operations provides a presentation that depicts the manner in which RA manages its financial activities. Activities presented outside the operating measure include items that are unusual or infrequent. The Organization classifies foreign currency translation gains (losses) outside the operating measure.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Prior Year Summarized Comparative Consolidated Information

Consolidated information as of and for the year ended December 31, 2019 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 the Organization's consolidated financial statements as of and for the year ended December 31, 2019, 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 foreign severance accrual, potential foreign payroll tax liability (Note 14) 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.

Income Taxes

RA Holding is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code ("IRC") and exempt from state taxes under state charities registration law.

RA is exempt from federal income tax under Section 501(c)(3) of the IRC in the United States and exempt from state taxes under state charities registration laws. No provision for income tax was required in the accompanying consolidated financial statements. During the year ended December 31, 2020, RA Holding received approximately \$51,000 in refunded foreign income taxes. During the year ended December 31, 2019, RA Holding paid approximately \$36,000 in foreign income taxes in addition to VAT taxes to foreign jurisdictions. These amounts are included within the consolidated statement of functional expenses.

Stichting RA is established as a foundation under the laws of the Netherlands. Rainforest Alliance B.V. was established as a daughter limited company. Stichting RA is the full owner of the B.V. and all profits earned by the B.V. (program fees minus expenses) flow entirely back to Stichting RA. Stichting RA as a whole remains a non-profit and retains its charity status in the Netherlands as an "Algemeen Nut Beogende Instelling" or "ANBI" status. The ANBI status has certain tax advantages and is a pre-requisite for some potential donors considering subsidies or sponsorship. Stichting RA is required to meet certain criteria to maintain this structure. For the years ended December 31, 2020 and 2019, Stichting RA met these criteria and therefore, no income tax was assessed.

The Organization has evaluated uncertain tax positions and concluded there are no such positions at December 31, 2020 and 2019. The Organization has operations in other countries and is subject to the laws and regulations of those countries. The Organization did not recognize any tax related interest or penalties during the periods in question.

Rainforest Alliance Holding, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Contribution Revenue

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received or pledged. 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, 2020 and 2019 is \$3,948,495 and \$1,174,766, 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.

The Organization recognizes donated goods and services provided which had an ascertainable value and were an integral part of the Organization's program services at the fair market value of the services or goods received. The Organization received donated services in the form of legal, advertising and professional fees. Additionally, the Organization 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

The Organization has determined that royalty revenues shall be accounted for as revenue from contracts with customers in accordance with ASC 606. The Organization enters into contracts with customers whereby the Organization 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 Rainforest Alliance has issued a transaction certificate. Certified products carry the Organization'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

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

The Organization enables purchasers of certified farm product to be 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 the Organization 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 the Organization certifies which fall into the following main buckets: Coffee, Tea, Cocoa, Bananas, Palm Oil, 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.

The Organization 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 point in time when the subsequent sale or usage occurs. The Organization, 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 the Organization certifying farms and tracking the certified farm product through the supply chain utilizing the Organization's Marketplace System.

Other Contract Revenue

The Organization 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 the Organization is paid based on allowable expenditures incurred and the benefit derived by the customer is through the time spent by Organization 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, the Organization grants credit directly to certain customers after a credit analysis based on financial and other criteria and generally requires no collateral. The Organization reviews the receivables and has established an allowance for doubtful accounts amounting to \$574,000 and \$729,000 at December 31, 2020 and 2019, respectively.

Grants and Contributions Receivable

Grants and contributions receivable 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, 2020 and 2019.

Sub-Grants

The Organization 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 Equivalents

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

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

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

The Organization 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.

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 the Organization 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 the Organization'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 support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. 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
Leasehold improvements	Shorter of term of lease or life of asset

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Intangible Assets

The Organization capitalized certain costs incurred in connection with the development of its software platforms after the preliminary project stage and until such time that the software is ready for its intended use. Amounts related to upgrades and enhancements are capitalized to the extent they will result in added functionality. Capitalized costs are amortized over a three-to-four-year period commencing on the date that the specific module or platform is placed in service. Costs incurred during the preliminary stages of development and ongoing maintenance costs are expensed as incurred.

Valuation of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Organization has determined that no impairment was required for the periods 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. The Organization does not classify these assets as restricted cash for purposes of the consolidated statements of cash flows.

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 costs	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 the Organization'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.

Rainforest Alliance Holding, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 the Organization’s work around the world and producing and publishing studies focused on forestry, agriculture and certification.

Translation of Foreign Currencies

The foreign operations of the Organization 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 statement of financial position date. The related translation adjustments of approximately \$597,000 and \$(229,000) for the years ended December 31, 2020 and 2019, respectively are included in other activity in the consolidated statement of activities and changes in net assets.

Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year’s presentation. These reclassifications have no effect on the change in net assets previously reported.

Effect of Accounting Pronouncements Adopted in the Current Year

Fair Value Measurement

Effective January 1, 2020, RA Holding adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* (Topic 820). This ASU amended ASC Topic 820, *Fair Value Measurement*, by removing and modifying certain disclosure requirements related to fair value measurements, including Level 3 fair value measurement disclosures. The adoption of this ASU had no significant impact on the Organization’s consolidated financial statements.

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, 2022, with early application permitted.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Gifts In-Kind

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Organization's consolidated financial statements.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Royalty Revenues

The Organization's royalty revenue is generated from companies around the world, specifically in regions where the certified products are grown. The Organization'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 ended December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Cocoa	\$ 13,748,747	\$ 13,945,872
Coffee	25,708,338	20,410,099
Tea	2,676,923	3,192,514
Coconut oil	127,960	91,644
Palm oil	3,615,524	3,003,655
Hazelnut	459,700	293,709
Juice	854,683	220,183
Bananas	<u>2,155,923</u>	<u>1,775,787</u>
	<u>\$ 49,347,798</u>	<u>\$ 42,933,463</u>

Other Contract Revenues

The Organization'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>2020</u>	<u>2019</u>
Advisory engagements	\$ 1,901,515	\$ 2,378,694
Risk assessment engagements	<u>140,939</u>	<u>115,463</u>
	<u>\$ 2,042,454</u>	<u>\$ 2,494,157</u>

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Contract Balances

Royalty and other contract receivables and contract balances from contracts with customers for the years ended December 31, 2020 and 2019 were as follows:

	December 31, 2020		
	Royalty and Other Contract Receivables	Contract Assets	Contract Liabilities
Beginning of year	\$ 11,448,715	\$ 6,115,422	\$ 1,197,781
End of year	\$ 13,903,845	\$ 2,082,992	\$ 1,477,966
	December 31, 2019		
	Royalty and Other Contract Receivables	Contract Assets	Contract Liabilities
Beginning of year	\$ 8,335,784	\$ 3,898,749	\$ 1,256,330
End of year	\$ 11,448,715	\$ 6,115,422	\$ 1,197,781

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of liabilities, were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at year end		
Cash and cash equivalents	\$ 14,985,868	\$ 20,879,830
Grants and contributions receivable	3,694,541	4,984,363
Royalty and other contract receivables	13,903,845	11,448,715
Contract assets	2,082,992	6,115,422
Investments	<u>31,234,026</u>	<u>10,929,898</u>
Total financial assets	<u>65,901,272</u>	<u>54,358,228</u>
Less: Amounts not available for general expenditure within one year		
Net assets with donor restrictions	(3,923,838)	(5,720,828)
Long-term receivables	<u>-</u>	<u>(50,000)</u>
	<u>(3,923,838)</u>	<u>(5,770,828)</u>
Financial assets available to meet general expenditures over the next twelve months	61,977,434	48,587,400
Liquidity resources		
Available line of credit	<u>-</u>	<u>1,800,000</u>
Total financial assets and liquidity resources	<u>\$ 61,977,434</u>	<u>\$ 50,387,400</u>

The Organization manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. The Organization'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 15). For the year ended December 31, 2019, RA had a committed line of credit in the amount of \$1.8 million, which was available to be drawn upon. During the year ended December 31, 2020, RA closed its line of credit.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

5. GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Grants and contributions expected to be collected		
In one year or less	\$ 3,694,541	\$ 4,966,792
Between one and five years	-	52,501
	<u>3,694,541</u>	<u>5,019,293</u>
Less: Discount to present value	-	(34,930)
Grants and contributions receivable, net	<u>\$ 3,694,541</u>	<u>\$ 4,984,363</u>

6. INVESTMENTS AND FAIR VALUE

Investments consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Equity ETF	\$ 5,116	\$ 4,688
US Treasury bills	-	10,895,986
US Fixed Income	20,143,093	-
US Large Cap Equity	6,510,066	-
Europe, Australasia, Far East Equity	2,169,644	-
Global Equity	2,379,376	-
Other investments	<u>26,731</u>	<u>29,224</u>
	<u>\$ 31,234,026</u>	<u>\$ 10,929,898</u>

Investment income related to these investments and interest earned on cash accounts is comprised of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Realized and unrealized gains	\$ 1,175,171	\$ 134,894
Interest income	<u>278,196</u>	<u>22,852</u>
	<u>\$ 1,453,367</u>	<u>\$ 157,746</u>

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

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

	2020			
	Fair Value		Amortized Cost	Total
	Level 1	Level 2		
Equity ETF	\$ 5,116	\$ -	\$ -	\$ 5,116
US Fixed Income	20,143,093	-	-	20,143,093
US Large Cap Equity	6,510,066	-	-	6,510,066
Europe, Australasia, Far East Equity	2,169,644	-	-	2,169,644
Global Equity	2,379,376	-	-	2,379,376
Other investments	-	26,731	-	26,731
	<u>\$ 31,207,295</u>	<u>\$ 26,731</u>	<u>\$ -</u>	<u>\$ 31,234,026</u>

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

7. PROPERTY AND EQUIPMENT

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

	2020	2019
Furniture and equipment	\$ 1,572,243	\$ 1,229,023
Leasehold improvements	1,261,963	1,140,595
	2,834,206	2,369,618
Less: Accumulated depreciation	1,862,572	1,488,248
	<u>\$ 971,634</u>	<u>\$ 881,370</u>

Depreciation expense amounted to approximately \$336,000 and \$267,000 for the years ended December 31, 2020 and 2019, respectively, and is included in depreciation and amortization expense in the consolidated statement of functional expenses.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

8. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Software	\$ 9,617,086	\$ 4,822,759
Less: Accumulated amortization	<u>5,118,098</u>	<u>3,252,797</u>
	<u>\$ 4,498,988</u>	<u>\$ 1,569,962</u>

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 intellectual property, non-compete and licenses over the term of the agreement. These intangible assets were fully amortized as of December 31, 2019 and were disposed.

Amortization expense amounted to approximately \$1,475,000 and \$2,122,000 for the years ended December 31, 2020 and 2019, respectively and is included in depreciation and amortization expense in the consolidated statement of functional expenses.

9. IN-KIND CONTRIBUTIONS

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

	<u>2020</u>	<u>2019</u>
Legal services	\$ 521,599	\$ 750,225
Advertising	429,603	310,889
Other	<u>11,875</u>	<u>69,487</u>
	<u>\$ 963,077</u>	<u>\$ 1,130,601</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 a discretionary employer matching contribution of up to 5% of salary after one year of employment. RA made matching contributions totaling approximately \$400,000 and \$375,000 for the years ended December 31, 2020 and 2019, respectively.

The Organization 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 \$4,841,000 and \$3,979,000 at December 31, 2020 and 2019, 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 the Organization terminates.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

The Dutch plans are financed through contributions to pension providers, i.e., insurance companies and industry pension funds. The foreign pension plans can be compared to how the Dutch pension system has been designed and functions. The pension obligations of both the Dutch and the foreign plans are valued according to the 'valuation to pension fund approach'. This approach accounts for the contribution payable to the pension provider as an expense in the profit and loss account. Based on the administration agreement it is assessed whether and, if so, which obligations exist in addition to the payment of the annual contribution due to the pension provider as of the statement of financial position date. These additional obligations, including any obligations from recovery plans of the pension provider, lead to expenses for the group and are included in a provision on the statement of financial position. With final salary pension plans an obligation (provision) for (upcoming) past service is included if future salary increases have already been defined as of the statement of financial position date.

The valuation of the obligation is the best estimate of the amounts required to settle this as of the statement of financial position date. If the effect of the time value of money is material, the obligation is valued at the present value. Discounting is based on interest rates of high-quality corporate bonds. Additions to and release of the obligations are recognized in the profit and loss account. A pension receivable is included in the statement of financial position when the group has the right of disposal over the pension receivable and it is probable that the future economic benefits which the pension receivable holds will accrue to the group, and the pension receivable can be reliably established.

The B.V. has a defined contribution pension plan for all employees, working in the Netherlands, who are subject to Dutch law. This plan has no impact on the statement of financial position for the Organization. Also, the cover factor is not relevant in these schemes, because the guaranteed pension capitals do not constitute a right to a predetermined pension pay. On the pension date, the available capital will be used to provide a pension income, based on the prices for pensions at that time. The premium is calculated over the pension income. This is calculated as the employee's gross annual income including vacation pay, lowered by the "AOW-franchise". This franchise is used to correct for the AOW they will receive from the Dutch government when they retire. Part of the premiums from this premium table are used to ensure continuation of the pension plan in case of disability. Partner pension and orphan pension are insured and included in the pension plan. The premiums for these insurances are paid on top of the premium table. The employer pays 2/3 and the employee pays 1/3 of the premium.

11. CONCENTRATION OF CREDIT RISK AND FOREIGN CURRENCY RISK

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of cash, investments in foreign banks, investments, receivables and foreign currency risk. As of December 31, 2020 and 2019, the Organization had approximately \$6,025,000 and \$13,471,000, 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 the Organization's exposure to concentrations of credit risk.

The Organization has a long standing history of collecting its receivables which are from corporations, foundations and governmental agencies throughout the world. This limits the Organization's exposure to credit risk.

As the Organization operates internationally, a significant amount of revenues are from foreign sources for the years ended December 31, 2020 and 2019. The Organization received grants from foreign governments and organizations of approximately \$8,826,000 and \$9,224,000 which are included in government grants and contracts at December 31, 2020 and 2019, respectively.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Foreign currency risk is the risk to the Organization 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, receivables, advances and prepaid expenses, property and equipment, intangible assets, accounts payable, refundable advances payable, severance and payroll liabilities.

12. LINE OF CREDIT

The Organization had 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 was computed at LIBOR plus 2.750%, which was 4.513% at December 31, 2019. The borrowings are secured by the Organization's investments. The Organization had no drawdowns and no outstanding balance for the years ended December 31, 2020 and 2019. During the year ended December 31, 2020, RA closed their line of credit.

13. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On May 1, 2020, RA issued an unsecured promissory note (the "PPP loan") for \$1,782,710 through the Paycheck Protection Program ("PPP") established under the CARES Act and administered by the U.S. Small Business Administration ("SBA"). The PPP loan is guaranteed by the SBA. The PPP loan may be forgiven, in whole or in part, if RA was eligible for the PPP loan at the time of application, used the loan proceeds for eligible expenses within the defined 24-week period after the PPP loan was disbursed ("covered period"), and otherwise satisfied PPP requirements. The PPP loan was made through Chain Bridge Bank, N.A., has a two-year term, bears interest at 1.00% per annum, and matures on April 30, 2022. If the PPP loan is not forgiven, monthly principal and interest payments are deferred until ten months after the end of the covered period, or August 16, 2021. The PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. Accordingly, the Organization has reflected the PPP loan as short and long-term debt in the accompanying consolidated statement of financial position. RA will record the forgiveness of the loan as a gain on extinguishment in the period in which legal release is received. There is no certainty that any or all of the PPP loan will be forgiven.

Future maturities of the PPP loan, assuming it is not forgiven, are as follows:

2021	\$ 368,150
2022	889,841
2023	<u>524,719</u>
Total	<u>\$ 1,782,710</u>

14. 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 \$2,234,000 and \$2,077,000 for the years ending December 31, 2020 and 2019, respectively, which is included in office costs 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.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Additional leases include office space in Amsterdam under a lease expiring in March 2024. Rent expense was approximately \$425,000 for the years ended December 31, 2020 and 2019 and is included in office costs in the consolidated statement of functional expenses. Future rentals have been included in the table below through the end of the lease at 360,000 Euro converted at the December 31, 2020 exchange rate of 1.22.

During 2019, RA sub-leased its New York office space in a sublease agreement that expires May 2024. Additionally, RA entered into a lease agreement that expires in September 2026 for lower cost office space from another non-governmental organization 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 Ending December 31</u>	<u>Rental Commitments</u>	<u>Sublease Income</u>	<u>Rental Commitments, Net</u>
2021	\$ 2,604,438	\$ 1,250,084	\$ 1,354,354
2022	2,583,291	1,287,587	1,295,704
2023	1,878,148	1,326,215	551,933
2024	939,105	515,253	423,852
2025	773,753	-	773,753
Thereafter	610,499	-	610,499
	<u>\$ 9,389,234</u>	<u>\$ 4,379,139</u>	<u>\$ 5,010,095</u>

Government Grants and Contracts

The Organization receives funding from various federal and foreign agencies under grants and contracts, many of which have commitments spanning multiple years. The Organization has available funding under United States federal agency contracts through 2025 of approximately \$23,138,000. The Organization'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 the Organization.

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 \$174,000 and \$349,000 at December 31, 2020 and 2019, respectively, which is included in accounts payable and accrued expenses in the consolidated statements of financial position.

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.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Risks and Uncertainties

Management is currently evaluating the impact of the COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position, and results of its operations, the specific impact is not readily determinable as of the date of these consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

15. NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Programmatic restrictions		
Landscapes and communities	\$ 2,820,573	\$ 4,166,213
Markets transformation	80,000	379,011
Development campaign	-	150,964
Charitable trusts	23,265	24,640
Donor endowed principal	1,000,000	1,000,000
	<u>\$ 3,923,838</u>	<u>\$ 5,720,828</u>

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

	<u>2020</u>	<u>2019</u>
Programmatic restrictions		
Landscapes and communities	\$ 16,115,903	\$ 15,392,297
Markets transformation	979,779	1,084,857
Development campaign	150,964	-
Charitable trusts	1,374	1,510
	<u>\$ 17,248,020</u>	<u>\$ 16,478,664</u>

16. ENDOWMENT FUNDS

The Organization'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 with donor restrictions 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 with donor restrictions net assets until those amounts are appropriated for expenditure by RA pursuant to its obligations under the agreement with the donor and applicable law.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

The Organization 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

The Organization 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 years ended December 31:

	<u>2020</u>	<u>2019</u>
Endowment assets at beginning of year	\$ 1,038,135	\$ 1,047,611
Appropriation for expenditure	(30,416)	(41,237)
Investment return		
Investment income	20,517	9,450
Unrealized gain	82,321	22,311
	<u>102,838</u>	<u>31,761</u>
Endowment assets at end of year	<u>\$ 1,110,557</u>	<u>\$ 1,038,135</u>

Endowment net assets at December 31, 2020 and 2019 consisted of the following:

Donor restricted endowment		
Historical gift value	\$ 1,000,000	\$ 1,000,000
Appreciation	110,557	38,135
Endowment assets at end of year	<u>\$ 1,110,557</u>	<u>\$ 1,038,135</u>

The Organization 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 \$1,267,000 and \$1,231,000 as of December 31, 2020 and 2019, respectively. Donor-restricted funds released from restriction in the current year are transferred from the investment account in subsequent years in accordance with the Organization's spending policy.

17. 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 \$443,000 and \$573,000 for the years ended December 31, 2020 and 2019, respectively.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

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.

18. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of August 6, 2021, which is the date the consolidated financial statements were available for issuance. Based upon this evaluation, RA Holding has determined that no events have incurred that require recognition or disclosure.

SUPPLEMENTARY INFORMATION

Rainforest Alliance Holding, Inc. and Affiliates
Consolidating Statement of Financial Position
December 31, 2020

	Rainforest	Stichting		
	Alliance, Inc.	Rainforest	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Current assets				
Cash and cash equivalents	\$ 10,917,629	\$ 4,068,239	\$ -	\$ 14,985,868
Grants and contributions receivable, net	3,694,541	-	-	3,694,541
Royalty and contract receivables, net	5,186,540	8,717,305	-	13,903,845
Contract assets	2,082,992	-	-	2,082,992
Due from Affiliate	-	212,432	(212,432)	-
Advances and prepaid expenses	2,098,961	1,055,021	-	3,153,982
Investments	30,123,469	-	-	30,123,469
Total current assets	<u>54,104,132</u>	<u>14,052,997</u>	<u>(212,432)</u>	<u>67,944,697</u>
Property and equipment, net	<u>823,259</u>	<u>148,375</u>	<u>-</u>	<u>971,634</u>
Intangible assets, net	<u>1,047,226</u>	<u>3,451,762</u>	<u>-</u>	<u>4,498,988</u>
Other assets				
Grants and contributions receivable - net of current portion	-	-	-	-
Security deposits	325,851	-	-	325,851
Investments	1,110,557	-	-	1,110,557
Total other assets	<u>1,436,408</u>	<u>-</u>	<u>-</u>	<u>1,436,408</u>
Total assets	<u>\$ 57,411,025</u>	<u>\$ 17,653,134</u>	<u>\$ (212,432)</u>	<u>\$ 74,851,727</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 2,104,515	\$ 7,582,560	\$ -	\$ 9,687,075
Due to Affiliate	212,432	-	(212,432)	-
Contract liabilities	1,477,966	-	-	1,477,966
Refundable advances payable	3,948,495	2,209,041	-	6,157,536
Paycheck Protection Program loan payable, current portion	368,150	-	-	368,150
Total current liabilities	<u>8,111,558</u>	<u>9,791,601</u>	<u>(212,432)</u>	<u>17,690,727</u>
Long-term liabilities				
Paycheck Protection Program loan payable, net of current portion	1,414,560	-	-	1,414,560
Deferred rent liability	495,768	-	-	495,768
Foreign severance payable	2,682,804	2,158,445	-	4,841,249
Total liabilities	<u>12,704,690</u>	<u>11,950,046</u>	<u>(212,432)</u>	<u>24,442,304</u>
Net assets				
Without donor restrictions	40,782,497	5,703,088	-	46,485,585
With donor restrictions	3,923,838	-	-	3,923,838
Total net assets	<u>44,706,335</u>	<u>5,703,088</u>	<u>-</u>	<u>50,409,423</u>
Total liabilities and net assets	<u>\$ 57,411,025</u>	<u>\$ 17,653,134</u>	<u>\$ (212,432)</u>	<u>\$ 74,851,727</u>

See Independent Auditor's Report.

Rainforest Alliance Holding, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2020

	Rainforest Alliance, Inc.			Stichting Rainforest Alliance			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
Support and revenues								
Contributions								
Major donors and individuals	\$ 4,592,298	\$ 204,751	\$ 4,797,049	\$ 115,309	\$ -	\$ 115,309	\$ -	\$ 4,912,358
Foundations and corporate grants	78,533	3,317,956	3,396,489	-	-	-	-	3,396,489
Government grants and contracts	-	7,052,039	7,052,039	-	4,776,214	4,776,214	-	11,828,253
Special events - net	134,025	-	134,025	-	-	-	-	134,025
In-kind contributions	963,077	-	963,077	-	-	-	-	963,077
Revenue from contracts with customers								
Royalty revenue	19,478,720	-	19,478,720	29,869,078	-	29,869,078	-	49,347,798
Other contract revenue	1,632,894	-	1,632,894	409,560	-	409,560	-	2,042,454
Net investment income	1,352,672	100,070	1,452,742	625	-	625	-	1,453,367
Other loss	(37,322)	-	(37,322)	(59,419)	-	(59,419)	-	(96,741)
Net assets released from restrictions	12,471,806	(12,471,806)	-	4,776,214	(4,776,214)	-	-	-
Total support and revenues	<u>40,666,703</u>	<u>(1,796,990)</u>	<u>38,869,713</u>	<u>35,111,367</u>	<u>-</u>	<u>35,111,367</u>	<u>-</u>	<u>73,981,080</u>
Expenses								
Program services								
Landscapes and communities	17,515,012	-	17,515,012	8,518,928	-	8,518,928	-	26,033,940
Markets transformation	7,782,962	-	7,782,962	14,895,595	-	14,895,595	-	22,678,557
Communications	2,014,331	-	2,014,331	824,496	-	824,496	-	2,838,827
Total program services	<u>27,312,305</u>	<u>-</u>	<u>27,312,305</u>	<u>24,239,019</u>	<u>-</u>	<u>24,239,019</u>	<u>-</u>	<u>51,551,324</u>
Supporting services								
Management and general	5,906,742	-	5,906,742	5,116,085	-	5,116,085	-	11,022,827
Fundraising	2,824,815	-	2,824,815	-	-	-	-	2,824,815
Total supporting services	<u>8,731,557</u>	<u>-</u>	<u>8,731,557</u>	<u>5,116,085</u>	<u>-</u>	<u>5,116,085</u>	<u>-</u>	<u>13,847,642</u>
Total expenses	<u>36,043,862</u>	<u>-</u>	<u>36,043,862</u>	<u>29,355,104</u>	<u>-</u>	<u>29,355,104</u>	<u>-</u>	<u>65,398,966</u>
Changes in net assets from continuing operations	4,622,841	(1,796,990)	2,825,851	5,756,263	-	5,756,263	-	8,582,114
Nonoperating revenue (expense)								
Contribution from (to) affiliate	15,000,000	-	15,000,000	(15,000,000)	-	(15,000,000)	-	-
Foreign currency translation	-	-	-	597,283	-	597,283	-	597,283
Total nonoperating revenue (expense)	<u>15,000,000</u>	<u>-</u>	<u>15,000,000</u>	<u>(14,402,717)</u>	<u>-</u>	<u>(14,402,717)</u>	<u>-</u>	<u>597,283</u>
Change in net assets before discontinued operations	19,622,841	(1,796,990)	17,825,851	(8,646,454)	-	(8,646,454)	-	9,179,397
Discontinued operations (see Note 17)	442,704	-	442,704	-	-	-	-	442,704
Changes in net assets	<u>20,065,545</u>	<u>(1,796,990)</u>	<u>18,268,555</u>	<u>(8,646,454)</u>	<u>-</u>	<u>(8,646,454)</u>	<u>-</u>	<u>9,622,101</u>
Net assets								
Beginning of year	20,716,952	5,720,828	26,437,780	14,349,542	-	14,349,542	-	40,787,322
End of year	<u>\$ 40,782,497</u>	<u>\$ 3,923,838</u>	<u>\$ 44,706,335</u>	<u>\$ 5,703,088</u>	<u>\$ -</u>	<u>\$ 5,703,088</u>	<u>\$ -</u>	<u>\$ 50,409,423</u>

See Independent Auditor's Report.