



RAINFOREST ALLIANCE

RAINFOREST ALLIANCE HOLDING, INC. AND AFFILIATES
Consolidated Financial Statements
December 31, 2021
(With Summarized Comparative Consolidated Information
For the Year Ended December 31, 2020)
With Independent Auditor's Report

Rainforest Alliance Holding, Inc. and Affiliates
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December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Rainforest Alliance Holding, Inc. and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2021, 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.

In our opinion, based on our audit and the report of, and additional audit procedures performed by, the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Rainforest Alliance Holding, Inc. and Affiliates as of December 31, 2021, 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.

We did not audit the financial statements of Stichting Rainforest Alliance, a controlled affiliate, which statements reflect total assets constituting 30% and 24%, respectively, of consolidated total assets at December 31, 2021 and 2020, and total revenues constituting 43% and 47%, 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, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Consolidated Information

We have previously audited the Organization's December 31, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 6, 2021. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

WithumSmith+Brown, PC

July 20, 2022

Rainforest Alliance Holding, Inc. and Affiliates
Consolidated Statement of Financial Position
December 31, 2021 (With Summarized Comparative Totals as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 25,740,267	\$ 14,985,868
Grants and contributions receivable, net	4,977,049	3,694,541
Royalty and other contract receivables, net	13,949,207	13,903,845
Contract assets	5,095,483	2,082,992
Advances and prepaid expenses	3,242,818	3,153,982
Investments	<u>36,416,644</u>	<u>30,123,469</u>
Total current assets	<u>89,421,468</u>	<u>67,944,697</u>
Property and equipment, net	<u>978,215</u>	<u>971,634</u>
Intangible assets, net	<u>6,531,222</u>	<u>4,498,988</u>
Other assets		
Grants and contributions receivable - net of current portion	1,020,435	-
Security deposits	381,232	325,851
Investments	<u>1,150,748</u>	<u>1,110,557</u>
Total other assets	<u>2,552,415</u>	<u>1,436,408</u>
Total assets	<u>\$ 99,483,320</u>	<u>\$ 74,851,727</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 13,935,037	\$ 9,687,075
Contract liabilities	1,170,109	1,477,966
Refundable advances payable	8,966,888	6,157,536
Paycheck Protection Program Loan payable, current portion	-	368,150
Total current liabilities	<u>24,072,034</u>	<u>17,690,727</u>
Long-term liabilities		
Paycheck Protection Program Loan payable, net of current portion	-	1,414,560
Deferred rent liability	354,095	495,768
Foreign severance payable	<u>4,002,108</u>	<u>4,841,249</u>
Total liabilities	<u>28,428,237</u>	<u>24,442,304</u>
Net assets		
Without donor restrictions	65,323,816	46,485,585
With donor restrictions	<u>5,731,267</u>	<u>3,923,838</u>
Total net assets	<u>71,055,083</u>	<u>50,409,423</u>
Total liabilities and net assets	<u>\$ 99,483,320</u>	<u>\$ 74,851,727</u>

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

Rainforest Alliance Holding, Inc. and Affiliates
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021
(With Summarized Comparative Totals for the Year Ended December 31, 2020)

	December 31, 2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenues				
Contributions				
Major donors and individuals	\$ 4,740,675	\$ -	\$ 4,740,675	\$ 4,912,358
Foundations and corporate grants	226,763	6,933,134	7,159,897	3,396,489
Government grants and contracts	-	15,428,525	15,428,525	11,828,253
Special events - net	58,393	-	58,393	134,025
In-kind contributions	887,010	-	887,010	963,077
Revenue from contracts with customers				
Royalty revenue	61,699,361	-	61,699,361	49,347,798
Other contract revenue	4,109,112	-	4,109,112	2,042,454
Net investment income	2,659,227	101,201	2,760,428	1,438,263
Forgiveness of Paycheck Protection Program Loan	1,782,710	-	1,782,710	-
Other income (loss)	1,119,868	-	1,119,868	(96,741)
Net assets released from restrictions	<u>20,655,431</u>	<u>(20,655,431)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>97,938,550</u>	<u>1,807,429</u>	<u>99,745,979</u>	<u>73,965,976</u>
Expenses				
Program services				
Landscapes and communities	34,469,211	-	34,469,211	26,033,940
Markets transformation	<u>25,354,907</u>	<u>-</u>	<u>25,354,907</u>	<u>25,517,384</u>
Total program services	<u>59,824,118</u>	<u>-</u>	<u>59,824,118</u>	<u>51,551,324</u>
Supporting services				
Management and general	15,369,278	-	15,369,278	11,007,723
Fundraising	<u>2,898,548</u>	<u>-</u>	<u>2,898,548</u>	<u>2,824,815</u>
Total supporting services	<u>18,267,826</u>	<u>-</u>	<u>18,267,826</u>	<u>13,832,538</u>
Total expenses	<u>78,091,944</u>	<u>-</u>	<u>78,091,944</u>	<u>65,383,862</u>
Changes in net assets from continuing operations	19,846,606	1,807,429	21,654,035	8,582,114
Nonoperating revenue (expense)				
Foreign currency translation gain (loss)	<u>(2,267,017)</u>	<u>-</u>	<u>(2,267,017)</u>	<u>597,283</u>
Change in net assets before discontinued operations	17,579,589	1,807,429	19,387,018	9,179,397
Discontinued operations (Note 16)	<u>1,258,642</u>	<u>-</u>	<u>1,258,642</u>	<u>442,704</u>
Changes in net assets	<u>18,838,231</u>	<u>1,807,429</u>	<u>20,645,660</u>	<u>9,622,101</u>
Net assets				
Beginning of year	<u>46,485,585</u>	<u>3,923,838</u>	<u>50,409,423</u>	<u>40,787,322</u>
End of year	<u>\$ 65,323,816</u>	<u>\$ 5,731,267</u>	<u>\$ 71,055,083</u>	<u>\$ 50,409,423</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, 2021
(With Summarized Comparative Totals for the Year Ended December 31, 2020)

	2021						2020	
	Program Services			Supporting Services			Total	Total
	Landscapes and Communities	Markets Transformation	Total Program Services	Management and General	Fund-Raising	Total Supporting Services		
Salaries and benefits	\$ 15,269,276	\$ 14,283,152	\$ 29,552,428	\$ 7,030,354	\$ 2,027,419	\$ 9,057,773	\$ 38,610,201	\$ 35,434,376
Sub-grants	7,571,886	1,389,439	8,961,325	-	-	-	8,961,325	5,621,186
Consultants and professional fees	5,530,329	3,693,218	9,223,547	1,425,538	301,485	1,727,023	10,950,570	11,242,902
IT services and licenses	396,868	1,790,780	2,187,648	3,772,511	2,532	3,775,043	5,962,691	2,507,194
Marketing and subscription fees	273,806	354,331	628,137	168,844	239,733	408,577	1,036,714	815,470
Bank and other fees	270,700	181,298	451,998	172,253	78,032	250,285	702,283	191,315
Insurance expenses	66,016	3,565	69,581	345,508	446	345,954	415,535	353,866
Equipment and materials	852,152	24,114	876,266	88,004	1,160	89,164	965,430	1,264,926
Office costs	1,633,335	702,386	2,335,721	567,290	203,510	770,800	3,106,521	2,766,554
Travel	1,401,239	152,569	1,553,808	66,717	13,579	80,296	1,634,104	1,396,530
Training and workshops	1,063,684	73,897	1,137,581	28,157	627	28,784	1,166,365	1,097,890
Depreciation and amortization	98,246	2,311,355	2,409,601	823,733	31,230	854,963	3,264,564	1,810,995
Loss on disposal of assets	55	-	55	4,036	37	4,073	4,128	-
Bad debt expense (recovery)	41,619	394,803	436,422	(9,048)	(2,871)	(11,919)	424,503	(70,544)
	34,469,211	25,354,907	59,824,118	14,483,897	2,896,919	17,380,816	77,204,934	64,432,660
In-kind services and supplies	-	-	-	885,381	1,629	887,010	887,010	951,202
	<u>\$ 34,469,211</u>	<u>\$ 25,354,907</u>	<u>\$ 59,824,118</u>	<u>\$ 15,369,278</u>	<u>\$ 2,898,548</u>	<u>\$ 18,267,826</u>	<u>\$ 78,091,944</u>	<u>\$ 65,383,862</u>

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

Rainforest Alliance Holding, Inc. and Affiliates
Consolidated Statement of Cash Flows
Year Ended December 31, 2021 (With Summarized Comparative Totals for the Year
Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Operating activities		
Changes in net assets	\$ 20,645,660	\$ 9,622,101
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	3,264,564	1,810,995
Bad debt expense (recovery)	424,503	(70,544)
Net present value adjustment	(61,700)	(34,930)
Realized and unrealized gains on investments	(2,362,435)	(1,175,171)
Deferred rent	(141,673)	(57,628)
Forgiveness of Paycheck Protection Program Loan payable	(1,782,710)	-
Loss on disposal of assets	4,128	-
Changes in assets and liabilities		
Grants and contributions receivable	(2,241,243)	1,324,752
Royalty and other contract receivables	(469,865)	(2,384,586)
Contract assets	(3,012,491)	4,032,430
Advances and prepaid expenses	(88,836)	(110,221)
Security deposits	(55,381)	37,768
Accounts payable and accrued expenses	4,247,962	(963,324)
Foreign severance payable	(839,141)	862,324
Contract liabilities	(307,857)	280,185
Refundable advances payable	<u>2,809,352</u>	<u>3,108,419</u>
Net cash provided by operating activities	<u>20,032,837</u>	<u>16,282,570</u>
Investing activities		
Acquisition of intangible assets	(2,406,821)	(4,404,467)
Acquisition of property and equipment	(2,900,686)	(425,818)
Sale of investments	6,423,922	25,990,481
Purchase of investments and reinvested income	<u>(10,394,853)</u>	<u>(45,119,438)</u>
Net cash used in investing activities	<u>(9,278,438)</u>	<u>(23,959,242)</u>
Financing activity		
Issuance of Paycheck Protection Program Loan payable	<u>-</u>	<u>1,782,710</u>
Net cash provided by financing activity	<u>-</u>	<u>1,782,710</u>
Net change in cash and cash equivalents	10,754,399	(5,893,962)
Cash and cash equivalents		
Beginning of year	<u>14,985,868</u>	<u>20,879,830</u>
End of year	<u>\$ 25,740,267</u>	<u>\$ 14,985,868</u>
Supplemental disclosure of non-cash information		
Donated property and equipment	<u>\$ -</u>	<u>\$ 11,875</u>

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

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 (With Summarized Comparative Information for December 31, 2020)

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 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 the Organization manages its financial activities. Activities presented outside the operating measure include items that are infrequent or nonrecurring. 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, 2021 (With Summarized Comparative Information for December 31, 2020)

Prior Year Summarized Comparative Consolidated Information

Consolidated information as of and for the year ended December 31, 2020 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. 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, 2020, 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 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.

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 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, 2021 and 2020. RA has operations in other countries and is subject to the laws and regulations of those countries. RA did not recognize any tax related interest or penalties during the periods presented in these consolidated financial statements.

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, 2021 and 2020, 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, 2021 and 2020. 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, 2021 (With Summarized Comparative Information for December 31, 2020)

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, 2021 and 2020 is \$6,812,097 and \$3,948,495, 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 have 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. 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. For the years ended December 31, 2021 and 2020, direct costs netted in special event revenue were \$-0- and \$114,323, respectively.

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 Accounting Standards Codification ("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.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 (With Summarized Comparative Information for December 31, 2020)

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

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, Juice and Herbs and Spices. 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 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 at the point in time when the subsequent sale or usage occurs. The Organization 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 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, 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 \$919,000 and \$574,000 at December 31, 2021 and 2020, respectively.

Grants and Contributions Receivable

Grants and contributions receivable consist of government grant receivables and unconditional contribution receivables. Grants and contributions receivable with expected collection past 1 year are discounted at net present value based on current risk free rates. The discount rate used at December 31, 2021 is 1.52%. The Organization monitors the collectability of these receivables and has determined that no allowance for uncollectible accounts was necessary at December 31, 2021 and 2020.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
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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 or release, are not recognized in expense until the conditions on which they depend have been substantially met.

Cash and 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.

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.

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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

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
Consultants	Direct expenses
Travel	Time and effort, direct expenses
Insurance	Direct expenses
IT services & licenses	Direct expenses
Depreciation	Direct expenses

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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.

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. This also includes outreach and education of the public on certification standards, sustainable practices 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 (\$2,267,000) and \$597,000 for the years ended December 31, 2021 and 2020, 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.

Accounting Pronouncements Issued Not Yet Effective

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. Management is currently evaluating the impact that ASU will have on the Organization's consolidated financial statements.

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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 is currently evaluating the impact that is ASU will have 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 was related to the following crops for the years ended December 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Cocoa	\$ 14,208,620	\$ 13,748,747
Coffee	34,613,033	25,708,338
Tea	3,451,278	2,676,923
Coconut oil	229,159	127,960
Palm oil	4,284,305	3,615,524
Hazelnut	318,345	459,700
Juice	1,708,190	854,683
Bananas	2,595,852	2,155,923
Herbs and spices	290,579	-
	<u>\$ 61,699,361</u>	<u>\$ 49,347,798</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>2021</u>	<u>2020</u>
Advisory engagements	\$ 4,075,012	\$ 1,901,515
Risk assessment engagements	34,100	140,939
	<u>\$ 4,109,112</u>	<u>\$ 2,042,454</u>

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Contract Balances

Royalty and other contract receivables and contract balances from contracts with customers at December 31, 2021 and 2020 were as follows:

	<u>December 31, 2021</u>		
	<u>Royalty and Other Contract Receivables</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
Beginning of year	\$ 13,903,845	\$ 2,082,992	\$ 1,477,966
End of year	\$ 13,949,207	\$ 5,095,483	\$ 1,170,109

	<u>December 31, 2020</u>		
	<u>Royalty and Other Contract Receivables</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
Beginning of year	\$ 11,448,715	\$ 6,115,422	\$ 1,197,781
End of year	\$ 13,903,845	\$ 2,082,992	\$ 1,477,966

4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of liabilities, were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets at year end		
Cash and cash equivalents	\$ 25,740,267	\$ 14,985,868
Grants and contributions receivable	5,997,484	3,694,541
Royalty and other contract receivables	13,949,207	13,903,845
Contract assets	5,095,483	2,082,992
Investments	<u>37,567,392</u>	<u>31,234,026</u>
Total financial assets	<u>88,349,833</u>	<u>65,901,272</u>
Less: Amounts not available for general expenditure within one year		
Net assets with donor restrictions	<u>(5,731,267)</u>	<u>(3,923,838)</u>
Total financial assets and liquidity resources	<u>\$ 82,618,566</u>	<u>\$ 61,977,434</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 (Note 14).

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5. GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Grants and contributions expected to be collected		
In one year or less	\$ 5,038,749	\$ 3,694,541
Between one and five years	1,020,435	-
	<u>6,059,184</u>	<u>3,694,541</u>
Less: Discount to present value	61,700	-
Grants and contributions receivable, net	<u>\$ 5,997,484</u>	<u>\$ 3,694,541</u>

6. INVESTMENTS AND FAIR VALUE

Investments consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Equity ETF	\$ 5,594	\$ 5,116
US Fixed Income	20,099,710	20,143,093
US Large Cap Equity	10,237,218	6,510,066
Europe, Australasia, Far East Equity	3,227,882	2,169,644
Global Equity	3,968,867	2,379,376
Other investments	<u>28,121</u>	<u>26,731</u>
	<u>\$ 37,567,392</u>	<u>\$ 31,234,026</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>2021</u>	<u>2020</u>
Realized and unrealized gains	\$ 2,362,435	\$ 1,175,171
Interest income	518,732	278,196
Investment expenses	<u>(120,739)</u>	<u>(15,104)</u>
	<u>\$ 2,760,428</u>	<u>\$ 1,438,263</u>

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

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity ETF	\$ 5,594	\$ -	\$ -	\$ 5,594
US Fixed Income	20,099,710	-	-	20,099,710
US Large Cap Equity	10,237,218	-	-	10,237,218
Europe, Australasia, Far East Equity	3,227,882	-	-	3,227,882
Global Equity	3,968,867	-	-	3,968,867
Other investments	-	28,121	-	28,121
	<u>\$ 37,539,271</u>	<u>\$ 28,121</u>	<u>\$ -</u>	<u>\$ 37,567,392</u>
	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

7. PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 1,987,927	\$ 1,572,243
Leasehold improvements	1,268,305	1,261,963
	3,256,232	2,834,206
Less: Accumulated depreciation	<u>2,278,017</u>	<u>1,862,572</u>
	<u>\$ 978,215</u>	<u>\$ 971,634</u>

Depreciation expense amounted to approximately \$320,000 and \$336,000 for the years ended December 31, 2021 and 2020, respectively, and is included in depreciation and amortization expense in the consolidated statement of functional expenses.

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8. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Software	\$ 13,951,351	\$ 9,617,086
Less: Accumulated amortization	<u>7,420,129</u>	<u>5,118,098</u>
	<u>\$ 6,531,222</u>	<u>\$ 4,498,988</u>

Amortization expense amounted to approximately \$2,832,000 and \$1,475,000 for the years ended December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Legal services	\$ 508,041	\$ 521,599
Advertising	377,340	429,603
Other	<u>1,629</u>	<u>11,875</u>
	<u>\$ 887,010</u>	<u>\$ 963,077</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 \$539,000 and \$400,000 for the years ended December 31, 2021 and 2020, 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 \$4,002,000 and \$4,841,000 at December 31, 2021 and 2020, 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.

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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 consolidated 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 and cash equivalents, investments in foreign banks, investments, receivables and foreign currency risk. As of December 31, 2021 and 2020, the Organization had approximately \$13,896,000 and \$6,025,000, 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, and does not expect to experience, 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, 2021 and 2020. The Organization received grants from foreign governments and organizations of approximately \$7,175,000 and \$8,826,000 which are included in government grants and contracts at December 31, 2021 and 2020, respectively.

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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. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On May 1, 2020, RA issued an unsecured promissory note (the "PPP Loan") for \$1,782,710 through programs established under the CARES Act and administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan was 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, and otherwise satisfied PPP requirements. The loan was for a two year term bearing interest at 1.00% per annum. On August 27, 2021, RA was informed that its application for forgiveness of \$1,782,710 of the PPP Loan was approved. Accordingly, RA recorded it as forgiveness of debt in the accompanying consolidated statement of activities and changes in net assets for the year ended December 31, 2021.

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 \$2,680,000 and \$2,254,000, net of sublease income of approximately \$1,227,000 and \$1,211,000, for the years ending December 31, 2021 and 2020, 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.

Additional leases include office space in Amsterdam under a lease expiring in March 2024. Rent expense was approximately \$425,000 for each of the years ended December 31, 2021 and 2020 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 which total 810,000 Euro converted at the December 31, 2021 exchange rate of 1.14.

RA sub-leased its New York office space in a sublease agreement that expires May 2023. Additionally, RA entered into a sublease agreement that expires in September 2026 for lower-cost office space from another non-governmental organization in New York.

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The commitment of rent under non-cancellable lease agreements for the next five years and in the aggregate thereafter, including subleases, is as follows:

<u>Year Ending December 31, 2021</u>	<u>Rental Commitments</u>	<u>Sublease Income</u>	<u>Rental Commitments, Net</u>
2022	\$ 2,573,121	\$ 1,326,215	\$ 1,246,906
2023	1,586,722	515,253	1,071,469
2024	444,306	-	444,306
2025	236,401	-	236,401
2026	113,327	-	113,327
Thereafter	<u>50,022</u>	<u>-</u>	<u>50,022</u>
	<u>\$ 5,003,899</u>	<u>\$ 1,841,468</u>	<u>\$ 3,162,431</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 2026 of approximately \$35,393,000. 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 \$31,000 and \$174,000 at December 31, 2021 and 2020, 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.

Risks and Uncertainties

Management continues to evaluate 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 changes in net assets, 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.

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14. NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Programmatic restrictions		
Landscapes and communities	\$ 2,908,161	\$ 1,906,228
Markets transformation	1,799,358	994,345
Charitable trusts	23,748	23,265
Donor endowed principal	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 5,731,267</u>	<u>\$ 3,923,838</u>

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

	<u>2021</u>	<u>2020</u>
Programmatic restrictions		
Landscapes and communities	\$ 17,788,739	\$ 16,115,903
Markets transformation	2,866,692	979,779
Development campaign	-	150,964
Charitable trusts	<u>-</u>	<u>1,374</u>
	<u>\$ 20,655,431</u>	<u>\$ 17,248,020</u>

15. 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.

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

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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>2021</u>	<u>2020</u>
Endowment assets at beginning of year	\$ 1,110,557	\$ 1,038,135
Appropriation for expenditure	(61,010)	(30,416)
Investment return		
Investment income	10,332	20,517
Unrealized gain	<u>90,869</u>	<u>82,321</u>
	<u>101,201</u>	<u>102,838</u>
Endowment assets at end of year	<u>\$ 1,150,748</u>	<u>\$ 1,110,557</u>

Endowment net assets at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Donor restricted endowment		
Historical gift value	\$ 1,000,000	\$ 1,000,000
Appreciation	<u>150,748</u>	<u>110,557</u>
Endowment assets at end of year	<u>\$ 1,150,748</u>	<u>\$ 1,110,557</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 \$1,432,000 and \$1,331,000 as of December 31, 2021 and 2020, 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. As part of the sale, RA was entitled to a percentage of annual revenue. Effective December 31, 2021, the sale agreement was amended to terminate the agreement and all remaining liabilities were settled and a final payment was made to RA in 2022. RA recognized a gain from discontinued operations of approximately \$1,259,000 and \$443,000 for the years ended December 31, 2021 and 2020, respectively.

Continuing Involvement

Under the sale agreement, RA was entitled to 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. Effective December 31, 2021, the agreement was amended as noted above.

Rainforest Alliance Holding, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2021 (With Summarized Comparative Information for December 31, 2020)

17. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of July 20, 2022, which is the date the consolidated financial statements were available for issuance. Based upon this evaluation, RA Holding has determined that no events have occurred that require recognition or disclosure, except the following.

In February 2022, RA terminated its sublease for office space in New York effective August 3, 2022.

In March 2022, RA entered into a new two year lease for office space in New York effective May 1, 2022 at a rate of \$27,413 per month.

SUPPLEMENTARY INFORMATION

Rainforest Alliance Holding, Inc. and Affiliates
Consolidating Statement of Financial Position
December 31, 2021

	<u>Rainforest Alliance, Inc.</u>	<u>Stichting Rainforest Alliance</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 14,531,766	\$ 11,208,501	\$ -	\$ 25,740,267
Grants and contributions receivable, current portion, net	4,977,049	-	-	4,977,049
Royalty and contract receivables, net	2,664,298	11,284,909	-	13,949,207
Contract assets	5,095,483	-	-	5,095,483
Due from affiliate	2,187,162	-	(2,187,162)	-
Advances and prepaid expenses	2,363,289	879,529	-	3,242,818
Investments	36,416,644	-	-	36,416,644
Total current assets	<u>68,235,691</u>	<u>23,372,939</u>	<u>(2,187,162)</u>	<u>89,421,468</u>
Property and equipment, net	<u>660,870</u>	<u>317,345</u>	<u>-</u>	<u>978,215</u>
Intangible assets, net	<u>726,059</u>	<u>5,805,163</u>	<u>-</u>	<u>6,531,222</u>
Other assets				
Grants and contributions receivable, net of current portion	1,020,435	-	-	1,020,435
Security deposits	381,232	-	-	381,232
Investments	1,150,748	-	-	1,150,748
Total other assets	<u>2,552,415</u>	<u>-</u>	<u>-</u>	<u>2,552,415</u>
Total assets	<u>\$ 72,175,035</u>	<u>\$ 29,495,447</u>	<u>\$ (2,187,162)</u>	<u>\$ 99,483,320</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 3,409,964	\$ 10,525,073	\$ -	\$ 13,935,037
Due to affiliate	-	2,187,162	(2,187,162)	-
Contract liabilities	1,170,109	-	-	1,170,109
Refundable grants payable	6,812,097	2,154,791	-	8,966,888
Paycheck Protection Program Loan payable, current portion	-	-	-	-
Total current liabilities	<u>11,392,170</u>	<u>14,867,026</u>	<u>(2,187,162)</u>	<u>24,072,034</u>
Long-term liabilities				
Paycheck Protection Program Loan payable, net of current portion	-	-	-	-
Deferred rent liability	354,095	-	-	354,095
Foreign severance payable	2,651,005	1,351,103	-	4,002,108
Total liabilities	<u>14,397,270</u>	<u>16,218,129</u>	<u>(2,187,162)</u>	<u>28,428,237</u>
Net assets				
Without donor restrictions	52,046,498	13,277,318	-	65,323,816
With donor restrictions	5,731,267	-	-	5,731,267
Total net assets	<u>57,777,765</u>	<u>13,277,318</u>	<u>-</u>	<u>71,055,083</u>
Total liabilities and net assets	<u>\$ 72,175,035</u>	<u>\$ 29,495,447</u>	<u>\$ (2,187,162)</u>	<u>\$ 99,483,320</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, 2021

	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	\$ 3,907,014	\$ -	\$ 3,907,014	\$ 833,661	\$ -	\$ 833,661	\$ -	\$ 4,740,675
Foundations and corporate grants	226,763	6,933,134	7,159,897	-	-	-	-	7,159,897
Government grants and contracts	-	13,353,788	13,353,788	-	2,074,737	2,074,737	-	15,428,525
Special events - net	58,393	-	58,393	-	-	-	-	58,393
In-kind contributions	887,010	-	887,010	-	-	-	-	887,010
Revenue from contracts with customers								
Royalty revenue	24,049,718	-	24,049,718	37,649,643	-	37,649,643	-	61,699,361
Other contract revenue	3,019,940	-	3,019,940	1,089,172	-	1,089,172	-	4,109,112
Net investment income	2,657,238	101,201	2,758,439	1,989	-	1,989	-	2,760,428
Forgiveness of Paycheck Protection Program Loan	1,782,710	-	1,782,710	-	-	-	-	1,782,710
Other income (loss)	(319,699)	-	(319,699)	1,439,567	-	1,439,567	-	1,119,868
Net assets released from restrictions	18,580,694	(18,580,694)	-	2,074,737	(2,074,737)	-	-	-
Total support and revenues	<u>54,849,781</u>	<u>1,807,429</u>	<u>56,657,210</u>	<u>43,088,769</u>	<u>-</u>	<u>43,088,769</u>	<u>-</u>	<u>99,745,979</u>
Expenses								
Program services								
Landscapes and communities	22,458,850	-	22,458,850	12,010,361	-	12,010,361	-	34,469,211
Markets transformation	11,538,683	-	11,538,683	13,816,224	-	13,816,224	-	25,354,907
Total program services	<u>33,997,533</u>	<u>-</u>	<u>33,997,533</u>	<u>25,826,585</u>	<u>-</u>	<u>25,826,585</u>	<u>-</u>	<u>59,824,118</u>
Supporting services								
Management and general	8,143,681	-	8,143,681	7,225,597	-	7,225,597	-	15,369,278
Fundraising	2,703,208	-	2,703,208	195,340	-	195,340	-	2,898,548
Total supporting services	<u>10,846,889</u>	<u>-</u>	<u>10,846,889</u>	<u>7,420,937</u>	<u>-</u>	<u>7,420,937</u>	<u>-</u>	<u>18,267,826</u>
Total expenses	<u>44,844,422</u>	<u>-</u>	<u>44,844,422</u>	<u>33,247,522</u>	<u>-</u>	<u>33,247,522</u>	<u>-</u>	<u>78,091,944</u>
Changes in net assets from continuing operations	<u>10,005,359</u>	<u>1,807,429</u>	<u>11,812,788</u>	<u>9,841,247</u>	<u>-</u>	<u>9,841,247</u>	<u>-</u>	<u>21,654,035</u>
Nonoperating revenue (expense)								
Foreign currency translation gain	-	-	-	(2,267,017)	-	(2,267,017)	-	(2,267,017)
Total nonoperating revenue (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,267,017)</u>	<u>-</u>	<u>(2,267,017)</u>	<u>-</u>	<u>(2,267,017)</u>
Change in net assets before discontinued operations	10,005,359	1,807,429	11,812,788	7,574,230	-	7,574,230	-	19,387,018
Discontinued operations (see Note 16)	1,258,642	-	1,258,642	-	-	-	-	1,258,642
Changes in net assets	<u>11,264,001</u>	<u>1,807,429</u>	<u>13,071,430</u>	<u>7,574,230</u>	<u>-</u>	<u>7,574,230</u>	<u>-</u>	<u>20,645,660</u>
Net assets								
Beginning 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>
End of year	<u>\$ 52,046,498</u>	<u>\$ 5,731,267</u>	<u>\$ 57,777,765</u>	<u>\$ 13,277,318</u>	<u>\$ -</u>	<u>\$ 13,277,318</u>	<u>\$ -</u>	<u>\$ 71,055,083</u>

See Independent Auditor's Report.