



**RAINFOREST ALLIANCE, INC. AND SUBSIDIARIES**  
**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, Inc. and Subsidiaries**  
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**December 31, 2021 and 2020**

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Rainforest Alliance, Inc. and Subsidiaries (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, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Rainforest Alliance, Inc. and Subsidiaries 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.

### 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.

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

June 23, 2022

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

|  | <u>2021</u>          | <u>2020</u>          |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Current assets   |                      |                      |
| Cash and cash equivalents  | \$ 14,531,766        | \$ 10,917,629        |
| Grants and contributions receivables, current portion, net       | 4,977,049            | 3,694,541            |
| Royalty and other contract receivables, net                      | 2,664,298            | 5,186,540            |
| Contract assets  | 5,095,483            | 2,082,992            |
| Due from affiliate   | 2,187,162            | -                    |
| Advances and prepaid expenses                                    | 2,363,289            | 2,098,961            |
| Investments  | 36,416,644           | 30,123,469           |
| Total current assets   | <u>68,235,691</u>    | <u>54,104,132</u>    |
| Software, net  | <u>726,059</u>       | <u>1,047,226</u>     |
| Property and equipment, net                                      | <u>660,870</u>       | <u>823,259</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>\$ 72,175,035</u> | <u>\$ 57,411,025</u> |
| <b>Liabilities and Net Assets</b>                                |                      |                      |
| Current liabilities  |                      |                      |
| Accounts payable and accrued expenses                            | \$ 3,409,964         | \$ 2,104,515         |
| Due to affiliate   | -                    | 212,432              |
| Contract liabilities   | 1,170,109            | 1,477,966            |
| Refundable grants payable  | 6,812,097            | 3,948,495            |
| Paycheck Protection Program Loan payable, current                | <u>-</u>             | <u>368,150</u>       |
| Total current liabilities  | 11,392,170           | 8,111,558            |
| 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>2,651,005</u>     | <u>2,682,804</u>     |
| Total liabilities  | <u>14,397,270</u>    | <u>12,704,690</u>    |
| Net assets   |                      |                      |
| Without donor restrictions                                       | 52,046,498           | 40,782,497           |
| With donor restrictions  | <u>5,731,267</u>     | <u>3,923,838</u>     |
| Total net assets   | <u>57,777,765</u>    | <u>44,706,335</u>    |
| Total liabilities and net assets                                 | <u>\$ 72,175,035</u> | <u>\$ 57,411,025</u> |

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

**Rainforest Alliance, Inc. and Subsidiaries**  
**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<br>Restrictions | With Donor<br>Restrictions | Total                |                      |
| <b>Support and revenues</b>                                |                               |                            |                      |                      |
| Contributions  |                               |                            |                      |                      |
| Major donors and individuals                               | \$ 3,907,014                  | \$ -                       | \$ 3,907,014         | \$ 4,797,049         |
| Foundations and corporate grants                           | 226,763                       | 6,933,134                  | 7,159,897            | 3,396,489            |
| Government grants and contracts                            | -                             | 13,353,788                 | 13,353,788           | 7,052,039            |
| 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  | 24,049,718                    | -                          | 24,049,718           | 19,478,720           |
| Other contract revenue                                     | 3,019,940                     | -                          | 3,019,940            | 1,632,894            |
| Net investment income                                      | 2,657,238                     | 101,201                    | 2,758,439            | 1,437,638            |
| Forgiveness of Paycheck Protection Program Loan            | 1,782,710                     | -                          | 1,782,710            | -                    |
| Other losses   | (319,699)                     | -                          | (319,699)            | (37,322)             |
| Net assets released from restrictions                      | 18,580,694                    | (18,580,694)               | -                    | -                    |
| Total support and revenues                                 | <u>54,849,781</u>             | <u>1,807,429</u>           | <u>56,657,210</u>    | <u>38,854,609</u>    |
| <b>Expenses</b>  |                               |                            |                      |                      |
| Program services   |                               |                            |                      |                      |
| Landscapes and communities                                 | 22,458,850                    | -                          | 22,458,850           | 17,515,012           |
| Markets transformation                                     | 11,538,683                    | -                          | 11,538,683           | 9,797,293            |
| Total program services                                     | 33,997,533                    | -                          | 33,997,533           | 27,312,305           |
| Supporting services  |                               |                            |                      |                      |
| Management and general                                     | 8,143,681                     | -                          | 8,143,681            | 5,891,638            |
| Fundraising  | 2,703,208                     | -                          | 2,703,208            | 2,824,815            |
| Total supporting services                                  | 10,846,889                    | -                          | 10,846,889           | 8,716,453            |
| Total expenses   | <u>44,844,422</u>             | <u>-</u>                   | <u>44,844,422</u>    | <u>36,028,758</u>    |
| <b>Changes in net assets from operations</b>               | 10,005,359                    | 1,807,429                  | 11,812,788           | 2,825,851            |
| <b>Nonoperating revenue</b>                                |                               |                            |                      |                      |
| Contributions from affiliate                               | -                             | -                          | -                    | 15,000,000           |
| <b>Change in net assets before discontinued operations</b> | 10,005,359                    | 1,807,429                  | 11,812,788           | 17,825,851           |
| <b>Discontinued operations (see Note 16)</b>               | <u>1,258,642</u>              | <u>-</u>                   | <u>1,258,642</u>     | <u>442,704</u>       |
| <b>Changes in net assets</b>                               | 11,264,001                    | 1,807,429                  | 13,071,430           | 18,268,555           |
| <b>Net assets</b>  |                               |                            |                      |                      |
| Beginning of year  | <u>40,782,497</u>             | <u>3,923,838</u>           | <u>44,706,335</u>    | <u>26,437,780</u>    |
| End of year  | <u>\$ 52,046,498</u>          | <u>\$ 5,731,267</u>        | <u>\$ 57,777,765</u> | <u>\$ 44,706,335</u> |

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

**Rainforest Alliance, Inc. and Subsidiaries**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Totals for the Year Ended December 31, 2020)**

|                                 | Program Services           |                        |                        | Supporting Services    |                     |                           | Total                | 2020                 |
|---------------------------------|----------------------------|------------------------|------------------------|------------------------|---------------------|---------------------------|----------------------|----------------------|
|                                 | Landscapes and Communities | Markets Transformation | Total Program Services | Management and General | Fund-Raising        | Total Supporting Services |                      |                      |
| Salaries and benefits           | \$ 8,811,186               | \$ 6,961,100           | \$ 15,772,286          | \$ 3,840,706           | \$ 1,879,721        | \$ 5,720,427              | \$ 21,492,713        | \$ 19,867,911        |
| Sub-grants                      | 6,867,444                  | 1,206,162              | 8,073,606              | -                      | -                   | -                         | 8,073,606            | 3,428,698            |
| Consultants & professional fees | 3,018,910                  | 1,626,489              | 4,645,399              | 588,941                | 292,550             | 881,491                   | 5,526,890            | 4,704,783            |
| IT services and licenses        | 88,441                     | 507,703                | 596,144                | 1,575,965              | 2,423               | 1,578,388                 | 2,174,532            | 1,561,582            |
| Marketing and subscription fees | 158,819                    | 213,758                | 372,577                | 134,081                | 209,864             | 343,945                   | 716,522              | 535,121              |
| Bank and other fees             | 261,241                    | 89,924                 | 351,165                | 50,200                 | 77,879              | 128,079                   | 479,244              | 191,315              |
| Insurance expenses              | 37,173                     | 3,104                  | 40,277                 | 256,525                | 425                 | 256,950                   | 297,227              | 284,084              |
| Equipment & materials           | 812,195                    | 22,687                 | 834,882                | 72,255                 | 1,104               | 73,359                    | 908,241              | 1,093,272            |
| Office costs                    | 750,748                    | 475,814                | 1,226,562              | 342,401                | 195,676             | 538,077                   | 1,764,639            | 1,809,360            |
| Travel                          | 886,304                    | 99,725                 | 986,029                | 43,721                 | 13,579              | 57,300                    | 1,043,329            | 780,566              |
| Training & workshops            | 699,657                    | 19,004                 | 718,661                | 7,663                  | 625                 | 8,288                     | 726,949              | 496,203              |
| Depreciation and amortization   | 53,758                     | 113,213                | 166,971                | 356,226                | 30,604              | 386,830                   | 553,801              | 264,589              |
| Bad debt expense (recovery)     | 12,919                     | 200,000                | 212,919                | (10,384)               | (2,871)             | (13,255)                  | 199,664              | 60,072               |
| Loss on disposal of assets      | 55                         | -                      | 55                     | -                      | -                   | -                         | 55                   | -                    |
|                                 | <u>22,458,850</u>          | <u>11,538,683</u>      | <u>33,997,533</u>      | <u>7,258,300</u>       | <u>2,701,579</u>    | <u>9,959,879</u>          | <u>43,957,412</u>    | <u>35,077,556</u>    |
| In-kind services and supplies   | -                          | -                      | -                      | 885,381                | 1,629               | 887,010                   | 887,010              | 951,202              |
|                                 | <u>\$ 22,458,850</u>       | <u>\$ 11,538,683</u>   | <u>\$ 33,997,533</u>   | <u>\$ 8,143,681</u>    | <u>\$ 2,703,208</u> | <u>\$ 10,846,889</u>      | <u>\$ 44,844,422</u> | <u>\$ 36,028,758</u> |

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

**Rainforest Alliance, Inc. and Subsidiaries**  
**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>          |
|--|----------------------|----------------------|
| <b>Operating activities</b>  |                      |                      |
| Changes in net assets  | \$ 13,071,430        | \$ 18,268,555        |
| Adjustments to reconcile changes in net assets<br>to net cash provided by operating activities |                      |                      |
| Depreciation and amortization  | 553,801              | 264,589              |
| Bad debt expense   | 199,664              | 60,072               |
| Net present value adjustment   | (61,700)             | (34,930)             |
| Realized and unrealized gains on investments   | (2,362,435)          | (1,175,171)          |
| Deferred rent liability  | (141,673)            | (57,628)             |
| Donated property and equipment   | -                    | (11,875)             |
| Loss on disposal of assets   | 55                   | -                    |
| Forgiveness of Paycheck Protection Program loan payable  | (1,782,710)          | -                    |
| Changes in assets and liabilities  |                      |                      |
| Grants and contributions receivable  | (2,241,243)          | 1,324,752            |
| Royalty and other contract receivables   | 2,322,578            | (3,555,284)          |
| Contract assets  | (3,012,491)          | 4,032,430            |
| Due to (from) affiliate  | (2,399,594)          | 363,282              |
| Advances and prepaid expenses  | (264,328)            | (1,237,185)          |
| Security deposits  | (55,381)             | 37,768               |
| Accounts payable and accrued expenses  | 1,305,449            | (946,688)            |
| Foreign severance payable  | (31,799)             | 342,545              |
| Contract liabilities   | (307,857)            | 280,185              |
| Refundable grants payable  | <u>2,863,602</u>     | <u>2,773,729</u>     |
| Net cash provided by operating activities  | <u>7,655,368</u>     | <u>20,729,146</u>    |
| <b>Investing activities</b>  |                      |                      |
| Purchase of investments and reinvested income  | (10,394,853)         | (45,119,438)         |
| Sale of investments  | 6,423,922            | 25,990,481           |
| Investment of software   | (53,420)             | (1,105,763)          |
| Purchase of property and equipment   | <u>(16,880)</u>      | <u>(376,084)</u>     |
| Net cash used in investing activities  | <u>(4,041,231)</u>   | <u>(20,610,804)</u>  |
| <b>Financing activities</b>  |                      |                      |
| Issuance of Paycheck Protection Program Loan payable   | <u>-</u>             | <u>1,782,710</u>     |
| Net cash provided by financing activities  | <u>-</u>             | <u>1,782,710</u>     |
| Net change in cash and cash equivalents  | 3,614,137            | 1,901,052            |
| <b>Cash and cash equivalents</b>   |                      |                      |
| Beginning of year  | <u>10,917,629</u>    | <u>9,016,577</u>     |
| End of year  | <u>\$ 14,531,766</u> | <u>\$ 10,917,629</u> |
| <b>Non cash transactions</b>   |                      |                      |
| 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, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 (With Summarized Comparative Information for December 31, 2020)**

**1. ORGANIZATION AND NATURE OF ACTIVITIES**

Rainforest Alliance, Inc. (“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.

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Consolidation**

The consolidated financial statements include all of the assets, liabilities, net assets, revenues and expenses of all branches and affiliates of Rainforest Alliance, Inc. (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 RA are reported as follows:

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

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

**Operating Measure**

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 matter in which RA manages its financial activities. Activities presented outside the operating measure include items that are infrequent or nonrecurring. RA classifies contributions from affiliates as a nonoperating activity due to the nature of these contributions.

**Rainforest Alliance, Inc. and Subsidiaries**  
**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 RA'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 potential foreign payroll tax liability (Note 13) and the contract assets related to royalty revenues (Note 3). There is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Tax Status**

RA is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code and no provision for such income tax has been reflected in the accompanying consolidated financial statements. RA has evaluated uncertain tax positions with respect to its U.S. operations and concluded there are no such positions at December 31, 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.

**Contribution Revenue**

RA 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 are \$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.

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

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

**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 \$- and \$114,323, respectively.

**Revenue from Contracts with Customers**

*Royalty Revenues*

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

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

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

RA provides that purchasers of certified farm product are eligible to become an authorized licensee of the Seal with respect to the certified farm product. Royalties are assessed based on the volume (weight) of the certified farm product purchased for which RA has issued a transaction certificate at the applicable rate for the product as set forth in the contract, which varies based on the products that RA certifies. The products fall into the following main buckets: Coffee, Tea, Cocoa, Bananas, 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.

RA 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. RA recognizes revenue when the purchase of certified product occurs which is the time at which the royalty accrues per the contract and also represents the fulfillment of the performance obligations which involve RA certifying farms and tracking the certified farm product through the supply chain utilizing RA’s Marketplace System.

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

*Other Contract Revenue*

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

**Royalty Receivables and Credit Policies**

Receivables represent unsecured, non-interest bearing obligations due from customers. In the normal course of business, RA grants credit directly to certain customers after a credit analysis based on financial and other criteria and generally requires no collateral. RA reviews the receivables and has established an allowance for doubtful accounts. The allowance for doubtful accounts was \$500,324 and \$300,000 for the years ended 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.

**Sub-Grants**

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Fair Value Measurements**

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

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The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

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

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

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

**Internally Developed Software**

RA 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.

**Property and Equipment**

Property and equipment are 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 with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as 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 |

**Valuation of Long-Lived Assets**

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

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**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                             |

**Programs**

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

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

*Markets Transformation* - helps organizations across the forestry, agriculture and tourism value chains to successfully integrate sustainability into their business practices from sustainable production to sustainable consumption. 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 RA occur in functional currencies other than the U.S. dollar. The revenues and expenses occurring in foreign currencies are translated into U.S. dollars using an average monthly rate of exchange. Assets and liabilities are translated using the rate of exchange at the consolidated statements of financial position date. The related translation loss adjustments of approximately (\$229,000) and (\$42,000) for the years ending December 31, 2021 and 2020, respectively, are included in other losses 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.

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**New Accounting Pronouncements Issued Not Yet Effective**

*Leases*

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updated (“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 RA’s consolidated financial statements.

*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 RA’s consolidated financial statements.

**3. REVENUE FROM CONTRACTS WITH CUSTOMERS**

**Royalty Revenues**

RA’s royalty revenue is generated from companies around the world, specifically in regions where the certified products are grown. RA’s contracts and royalties are based on purchase of Certified Farm Product and are affected by the demand for the products being purchased.

Revenue from royalties was related to the following crops for the years ended December 31, 2021 and 2020 as follows:

|                  | <u>2021</u>          | <u>2020</u>          |
|------------------|----------------------|----------------------|
| Cocoa            | \$ 3,031,444         | \$ 2,828,505         |
| Coffee           | 12,894,122           | 11,087,717           |
| Tea              | 3,445,536            | 2,423,932            |
| Coconut oil      | 229,159              | 127,960              |
| Juice            | 1,708,190            | 854,683              |
| Bananas          | 2,595,852            | 2,155,923            |
| Herbs and spices | 145,415              | -                    |
|                  | <u>\$ 24,049,718</u> | <u>\$ 19,478,720</u> |

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**Other Contract Revenues**

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

The following represents revenue for these categories at December 31:

|                             | <u>2021</u>         | <u>2020</u>         |
|-----------------------------|---------------------|---------------------|
| Advisory engagements        | \$ 2,985,840        | \$ 1,491,955        |
| Risk assessment engagements | 34,100              | 140,939             |
|                             | <u>\$ 3,019,940</u> | <u>\$ 1,632,894</u> |

**Contract Balances**

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

|                   | <u>2021</u>   |                            |                                 | <u>2020</u>   |                            |                                 |
|-------------------|---|----------------------------|---------------------------------|---|----------------------------|---------------------------------|
|                   | <u>Royalty and<br/>Other Contract<br/>Receivables</u> | <u>Contract<br/>Assets</u> | <u>Contract<br/>Liabilities</u> | <u>Royalty and<br/>Other Contract<br/>Receivables</u> | <u>Contract<br/>Assets</u> | <u>Contract<br/>Liabilities</u> |
| Beginning of year | \$ 5,186,540  | \$ 2,082,992               | \$ 1,477,966                    | \$ 1,691,328  | \$ 6,115,422               | \$ 1,197,781                    |
| End of year       | <u>\$ 2,664,298</u>                                   | <u>\$ 5,095,483</u>        | <u>\$ 1,170,109</u>             | <u>\$ 5,186,540</u>                                   | <u>\$ 2,082,992</u>        | <u>\$ 1,477,966</u>             |

**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   |                      |                      |
| Cash and cash equivalents  | \$ 14,531,766        | \$ 10,917,629        |
| Grants and contributions receivable                                    | 5,997,484            | 3,694,541            |
| Royalty and other contract receivables, net                            | 2,664,298            | 5,186,540            |
| Contract assets  | 5,095,483            | 2,082,992            |
| Investments  | <u>37,567,392</u>    | <u>31,234,026</u>    |
| Total financial assets   | <u>65,856,423</u>    | <u>53,115,728</u>    |
| Less: Amounts not available for general expenditure<br>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>\$ 60,125,156</u> | <u>\$ 49,191,890</u> |

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

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**5. GRANTS AND CONTRIBUTIONS RECEIVABLE**

RA 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                        | <u>1,020,435</u>    | <u>-</u>            |
|   | 6,059,184           | 3,694,541           |
| Less: Discount to present value                   | <u>61,700</u>       | <u>-</u>            |
| 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               | 516,743             | 277,571             |
| Investment expenses           | <u>(120,739)</u>    | <u>(15,104)</u>     |
|                               | <u>\$ 2,758,439</u> | <u>\$ 1,437,638</u> |

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

|                     | <b>2021</b>          |                  |                      |
|---------------------|----------------------|------------------|----------------------|
|                     | <b>Fair Value</b>    |                  |                      |
|                     | <b>Level 1</b>       | <b>Level 2</b>   | <b>Total</b>         |
| 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           |
| EAFE 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>\$ 37,567,392</u> |
|                     | <b>2020</b>          |                  |                      |
|                     | <b>Fair Value</b>    |                  |                      |
|                     | <b>Level 1</b>       | <b>Level 2</b>   | <b>Total</b>         |
| 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            |
| EAFE 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>\$ 31,234,026</u> |

**7. PROPERTY AND EQUIPMENT**

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

|                                | <b>2021</b>       | <b>2020</b>       |
|--------------------------------|-------------------|-------------------|
| Furniture and equipment        | \$ 1,086,948      | \$ 930,007        |
| Leasehold improvements         | <u>1,196,938</u>  | <u>1,188,481</u>  |
|                                | 2,283,886         | 2,118,488         |
| Less: Accumulated depreciation | <u>1,623,016</u>  | <u>1,295,229</u>  |
|                                | <u>\$ 660,870</u> | <u>\$ 823,259</u> |

Depreciation expense amounted to \$179,214 and \$206,052 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. SOFTWARE**

Capitalized software consists of the following as of December 31:

|                                | <u>2021</u>       | <u>2020</u>         |
|--------------------------------|-------------------|---------------------|
| Software                       | \$ 1,159,183      | \$ 1,105,763        |
| Less: Accumulated amortization | <u>433,124</u>    | <u>58,537</u>       |
|                                | <u>\$ 726,059</u> | <u>\$ 1,047,226</u> |

Amortization expense amounted to \$374,587 and \$58,537 for the years ended December 31, 2021 and 2020, respectively.

**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. The Organization made matching contributions totaling approximately \$539,000 and \$400,000 for the years ended December 31, 2021 and 2020, respectively.

RA has recorded an obligation for foreign severance payable in accordance with the laws in the locations for employees working in certain foreign jurisdictions of approximately \$2,651,000 and \$2,683,000 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 RA terminates.

**11. CONCENTRATION OF CREDIT RISK AND FOREIGN CURRENCY RISK**

Financial instruments, which potentially subject RA to concentrations of credit risk, consist of cash and cash equivalents, investments in foreign banks, investments, receivables and foreign currency risk. As of December 31, 2021 and 2020, RA had approximately \$2,662,000 and \$1,957,000, 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 RA's exposure to concentrations of credit risk.

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RA has a long standing history of collecting its receivables which are from corporations, foundations and governmental agencies throughout the world. This limits RA's exposure to credit risk. There were grants and contributions receivable outstanding from one and three donors that comprise 20% and 33% of the outstanding balance at December 31, 2021 and 2020, respectively.

RA received revenues from foreign governments and other organizations of approximately \$5,100,000 and \$4,050,000 which is included in government grants and contracts at December 31, 2021 and 2020, respectively.

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

**12. 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 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 \$2,153,000 and \$2,234,000, net of sublease income of \$1,227,409 and \$1,210,697, 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.

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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. 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,</u> | <u>Rental<br/>Commitments</u> | <u>Sublease<br/>Income</u> | <u>Rental<br/>Commitments,<br/>Net</u> |
|---------------------------------|-------------------------------|----------------------------|--|
| 2022                            | \$ 2,163,657                  | \$ 1,326,215               | \$ 837,442                             |
| 2023                            | 1,177,258                     | 515,253                    | 662,005                                |
| 2024                            | 341,940                       | -                          | 341,940                                |
| 2025                            | 236,401                       | -                          | 236,401                                |
| 2026                            | 113,327                       | -                          | 113,327                                |
| 2027 and thereafter             | 50,022                        | -                          | 50,022                                 |
|                                 | <u>\$ 4,082,605</u>           | <u>\$ 1,841,468</u>        | <u>\$ 2,241,137</u>                    |

**Government Grants and Contracts**

RA receives funding from various federal and foreign agencies under grants and contracts, many of which have commitments spanning multiple years. RA has available funding under federal agency contracts through September 2026 of approximately \$35,393,000. RA's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the consolidated financial position or changes in net assets of RA.

**Foreign Payroll Tax**

RA has recorded an obligation for estimated potential foreign payroll tax liabilities in accordance with the laws in the locations for employees working in certain foreign jurisdictions of approximately \$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 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 | \$ 15,714,002        | \$ 11,339,689        |
| Markets transformation     | 2,866,692            | 979,779              |
| Development campaign       | -                    | 150,964              |
| Charitable trusts          | <u>-</u>             | <u>1,374</u>         |
|                            | <u>\$ 18,580,694</u> | <u>\$ 12,471,806</u> |

**15. ENDOWMENT FUNDS**

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

**Interpretation of Relevant Law**

Under the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), a charitable organization can only spend amounts of an endowment funds' above "historic dollar value" that it deems to be prudent. With respect to its existing endowment fund, RA has followed the donor instrument in classifying as 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.

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

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

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

|                                       | <u>2021</u>         | <u>2020</u>         |
|---------------------------------------|---------------------|---------------------|
| Endowment assets at beginning of year | \$ 1,110,557        | \$ 1,038,135        |
| Appropriation for expenditure         | <u>(61,010)</u>     | <u>(30,416)</u>     |
| 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:

|                                 |                     |                     |
|---------------------------------|---------------------|---------------------|
| 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.

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**17. RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2021 and 2020, RA received contributions of \$0 and \$15,000,000, respectively, from Stichting Rainforest Alliance, its affiliate through common ownership.

RA and Stichting Rainforest Alliance share employees and other costs. These costs are evaluated at least annually, amounts are due to or from the entities to cover for the costs being incurred. RA had a receivable due from Stichting Rainforest Alliance in the amount of \$2,187,162 at December 31, 2021. RA had a payable due to Stichting Rainforest Alliance in the amount of \$212,432 at December 31, 2020.

**18. SUBSEQUENT EVENTS**

RA has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of June 23, 2022, which is the date the consolidated financial statements were available for issuance. Based upon this evaluation, RA has determined that no events have occurred that require recognition or disclosure, except as follows:

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.