



RAINFOREST ALLIANCE

RAINFOREST ALLIANCE, INC. AND SUBSIDIARIES
Consolidated Financial Statements
December 31, 2023
(With Summarized Comparative Consolidated Information
for December 31, 2022)
With Independent Auditor's Report

Rainforest Alliance, Inc. and Subsidiaries
Table of Contents
December 31, 2023 and 2022

Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-23

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2023, 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 consolidated financial position of Rainforest Alliance, Inc. and Subsidiaries as of December 31, 2023, 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, 2022, consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 29, 2023. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Withum Smith & Brown, PC

June 26, 2024

Rainforest Alliance, Inc. and Subsidiaries
Consolidated Statement of Financial Position
December 31, 2023 (With Summarized Comparative Totals as of December 31, 2022)

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 14,814,352	\$ 18,946,432
Grants and contributions receivable, current portion	10,318,515	5,883,423
Royalty and other contract receivables, net	10,339,313	17,147,207
Contract assets	525,000	1,967,642
Due from affiliate	1,903,803	2,301,251
Advances and prepaid expenses	1,868,989	2,259,777
Investments	<u>35,870,942</u>	<u>31,587,068</u>
Total current assets	<u>75,640,914</u>	<u>80,092,800</u>
Software, net	<u>332,411</u>	<u>471,436</u>
Property and equipment, net	<u>418,705</u>	<u>304,621</u>
Right-of-use assets, net	<u>772,836</u>	<u>2,076,066</u>
Other assets		
Grants and contributions receivable, net of current portion and discount to present value	410,368	1,777,050
Security deposits	230,372	471,411
Investments	<u>1,034,160</u>	<u>893,517</u>
Total other assets	<u>1,674,900</u>	<u>3,141,978</u>
Total assets	<u>\$ 78,839,766</u>	<u>\$ 86,086,901</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,368,706	\$ 6,632,415
Contract liabilities	1,713,747	934,104
Refundable grants payable	6,021,850	6,640,038
Lease liabilities	<u>442,167</u>	<u>1,278,775</u>
Total current liabilities	13,546,470	15,485,332
Long-term liabilities		
Lease liabilities, net of current portion	374,737	926,557
Foreign severance payable	<u>3,395,760</u>	<u>2,802,039</u>
Total liabilities	<u>17,316,967</u>	<u>19,213,928</u>
Net assets		
Without donor restrictions	56,633,727	59,794,198
With donor restrictions	<u>4,889,072</u>	<u>7,078,775</u>
Total net assets	<u>61,522,799</u>	<u>66,872,973</u>
Total liabilities and net assets	<u>\$ 78,839,766</u>	<u>\$ 86,086,901</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, 2023
(With Summarized Comparative Totals for the Year Ended December 31, 2022)

	December 31, 2023					
	Without Donor Restrictions			With Donor Restrictions	Total	2022
	Undesignated Operating	Designated for Capital and Investments	Total			
Support and revenues						
Contributions of cash and financial assets						
Major donors and individuals	\$ 2,593,394	\$ -	\$ 2,593,394	\$ 338,481	\$ 2,931,875	\$ 3,277,822
Foundations and corporate grants	-	-	-	4,371,736	4,371,736	7,045,514
Government grants and contracts	-	-	-	19,167,716	19,167,716	17,808,860
Special events, net	-	-	-	-	-	(117,814)
Contributions of nonfinancial assets	1,334,880	-	1,334,880	-	1,334,880	1,474,607
Revenue from contracts with customers						
Royalty revenue	51,604,832	-	51,604,832	-	51,604,832	51,722,379
Other contract revenue	6,162,050	-	6,162,050	-	6,162,050	4,045,964
Net investment return (loss)	263,372	4,417,242	4,680,614	152,888	4,833,502	(5,095,305)
Other gains (losses)	1,715	269,309	271,024	-	271,024	369,514
Transfers	(306,293)	306,293	-	-	-	-
Net assets released from restrictions	26,220,524	-	26,220,524	(26,220,524)	-	-
Total support and revenues	<u>87,874,474</u>	<u>4,992,844</u>	<u>92,867,318</u>	<u>(2,189,703)</u>	<u>90,677,615</u>	<u>80,531,541</u>
Expenses						
Program services						
Landscapes and communities	33,348,980	128,168	33,477,148	-	33,477,148	28,944,286
Markets transformation	13,270,039	30,807	13,300,846	-	13,300,846	13,797,002
Total program services	46,619,019	158,975	46,777,994	-	46,777,994	42,741,288
Supporting services						
Management and general	11,604,878	321,083	11,925,961	-	11,925,961	13,099,576
Fundraising	3,214,050	(4,216)	3,209,834	-	3,209,834	2,730,977
Total supporting services	14,818,928	316,867	15,135,795	-	15,135,795	15,830,553
Total expenses	<u>61,437,947</u>	<u>475,842</u>	<u>61,913,789</u>	<u>-</u>	<u>61,913,789</u>	<u>58,571,841</u>
Changes in net assets prior to contributions to affiliate	26,436,527	4,517,002	30,953,529	(2,189,703)	28,763,826	21,959,700
Contributions to affiliate	(34,114,000)	-	(34,114,000)	-	(34,114,000)	(12,864,492)
Changes in net assets	(7,677,473)	4,517,002	(3,160,471)	(2,189,703)	(5,350,174)	9,095,208
Net assets						
Beginning of year	27,700,184	32,094,014	59,794,198	7,078,775	66,872,973	57,777,765
End of year	<u>\$ 20,022,711</u>	<u>\$ 36,611,016</u>	<u>\$ 56,633,727</u>	<u>\$ 4,889,072</u>	<u>\$ 61,522,799</u>	<u>\$ 66,872,973</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, 2023
(With Summarized Comparative Totals for the Year Ended December 31, 2022)

	Program Services			Supporting Services			Total	2022
	Landscapes and Communities	Markets Transformation	Total Program Services	Management and General	Fund-Raising	Total Supporting Services		
Salaries and benefits	\$ 13,281,861	\$ 8,569,081	\$ 21,850,942	\$ 5,122,376	\$ 2,487,416	\$ 7,609,792	\$ 29,460,734	\$ 24,931,567
Subgrants	10,540,071	933,454	11,473,525	-	-	-	11,473,525	10,680,050
Consultants and professional fees	3,883,772	1,186,815	5,070,587	1,498,729	216,742	1,715,471	6,786,058	9,109,892
IT services and licenses	175,104	716,941	892,045	2,140,164	(35,593)	2,104,571	2,996,616	2,439,220
Marketing and subscription fees	142,280	1,062,527	1,204,807	139,004	213,594	352,598	1,557,405	850,699
Bank and other fees	90,898	62,847	153,745	103,648	67,811	171,459	325,204	347,948
Insurance	54,122	1,531	55,653	381,237	(6,488)	374,749	430,402	377,992
Equipment and materials	404,389	19,021	423,410	52,351	(519)	51,832	475,242	813,982
Office costs	1,032,889	266,521	1,299,410	518,171	225,920	744,091	2,043,501	1,745,145
Travel	2,480,514	347,648	2,828,162	218,703	44,073	262,776	3,090,938	3,008,555
Training and workshops	1,759,949	111,607	1,871,556	40,311	1,047	41,358	1,912,914	1,623,522
Bad debt expense (recovery)	(496,986)	(7,954)	(504,940)	72,641	47	72,688	(432,252)	299,785
Loss on disposal of assets	117	-	117	-	-	-	117	267,086
	<u>33,348,980</u>	<u>13,270,039</u>	<u>46,619,019</u>	<u>10,287,335</u>	<u>3,214,050</u>	<u>13,501,385</u>	<u>60,120,404</u>	<u>56,495,443</u>
Professional services - in-kind	-	-	-	1,317,543	-	1,317,543	1,317,543	1,474,607
	<u>33,348,980</u>	<u>13,270,039</u>	<u>46,619,019</u>	<u>11,604,878</u>	<u>3,214,050</u>	<u>14,818,928</u>	<u>61,437,947</u>	<u>57,970,050</u>
Depreciation and amortization	<u>128,168</u>	<u>30,807</u>	<u>158,975</u>	<u>321,083</u>	<u>(4,216)</u>	<u>316,867</u>	<u>475,842</u>	<u>601,791</u>
	<u>\$ 33,477,148</u>	<u>\$ 13,300,846</u>	<u>\$ 46,777,994</u>	<u>\$ 11,925,961</u>	<u>\$ 3,209,834</u>	<u>\$ 15,135,795</u>	<u>\$ 61,913,789</u>	<u>\$ 58,571,841</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, 2023 (With Summarized Comparative Totals for the Year
Ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
Operating activities		
Changes in net assets	\$ (5,350,174)	\$ 9,095,208
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	475,842	601,791
Bad debt expense	(432,252)	299,785
Net present value adjustment	22,597	(15,451)
Realized and unrealized (gains) losses on investments	(3,659,390)	5,625,443
Amortization of right-of-use assets	1,303,230	1,687,018
Loss on disposal of assets	117	267,086
Changes in assets and liabilities		
Grants and contributions receivable	(3,091,007)	(1,647,538)
Royalty and other contract receivables	7,240,146	(14,782,694)
Contract assets	1,442,642	3,127,841
Due from affiliate	397,448	(114,089)
Advances and prepaid expenses	390,788	103,512
Security deposits	241,039	(90,179)
Accounts payable and accrued expenses	(1,263,709)	3,378,914
Contract liabilities	779,643	(236,005)
Refundable grants payable	(618,188)	(172,059)
Lease liabilities	(1,388,428)	(1,911,847)
Foreign severance payable	<u>593,721</u>	<u>(5,429)</u>
Net cash (used in) provided by operating activities	<u>(2,915,935)</u>	<u>5,211,307</u>
Investing activities		
Purchase of investments and reinvested income	(9,167,652)	(3,917,148)
Sale of investments	8,402,525	3,378,512
Investment in software	(236,220)	(137,159)
Proceeds from sale of property and equipment	-	20,000
Purchase of property and equipment	<u>(214,798)</u>	<u>(140,846)</u>
Net cash used in investing activities	<u>(1,216,145)</u>	<u>(796,641)</u>
Net change in cash and cash equivalents	(4,132,080)	4,414,666
Cash and cash equivalents		
Beginning of year	<u>18,946,432</u>	<u>14,531,766</u>
End of year	<u>\$ 14,814,352</u>	<u>\$ 18,946,432</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, 2023 (With Summarized Comparative Information for December 31, 2022)

1. ORGANIZATION AND NATURE OF ACTIVITIES

Rainforest Alliance, Inc. (“RA”) is an international nonprofit organization, which was 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. Within net assets without donor restrictions, RA separates activity related to property and equipment, investments, software, and contributions to affiliate in capital and non-operating and all other activity in operating.

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 those 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.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

Prior-Year Summarized Comparative Consolidated Information

Consolidated information as of and for the year ended December 31, 2022, 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, 2022, 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 payable (see Note 10), the contract assets related to royalty revenues (see Note 3), and the allowance for doubtful accounts. 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, 2023 and 2022. 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 period 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 nonexchange 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 statement of financial position. Included in refundable grants payable at December 31, 2023 and 2022, are \$6,021,850 and \$6,640,038, 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, are an integral part of RA's program services, and are measured 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 as contributions of nonfinancial assets on the consolidated statement of activities and changes in net assets and as in-kind services on the consolidated statement of functional expenses.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

Special Events

Special event revenues are presented net of the direct costs of the event. For the years ended December 31, 2023 and 2022, direct costs netted in special event revenue were \$0 and \$172,947, 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 nonexclusive nontransferable 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, nuts, other perishables, and herbs and spices. Generally, invoices are issued quarterly, and payments are due within 45 days. Contract assets include royalties that are calculated and earned but not yet confirmed by 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 MultiTrace System.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

Other Contract Revenue

RA performs various engagements for clients whereby RA performs 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 for which 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, which is based on financial and other criteria, and generally requires no collateral.

Customers typically are provided with payment terms of 15 days. The Organization has tracked historical loss information for its trade receivables and compiled historical credit loss percentages for different aging categories (current, 1-30 days past due, 31-60 days past due, 61-90 days past due, and more than 90 days past due). Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Organization separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the statement of financial position date, the Organization develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. The following represents a roll forward of the allowance for doubtful accounts for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 800,000	\$ 500,000
Cumulative effect of adoption	(500,000)	-
Provision for credit losses	2,734	300,000
Receivables written off	<u>(2,734)</u>	<u>-</u>
Balance, end of the year	<u>\$ 300,000</u>	<u>\$ 800,000</u>

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 one year are discounted at net present value based on current risk-free rates. The discount rate used at both December 31, 2023 and 2022, was 3.88%. RA monitors the collectability of these receivables and has determined that no allowance for uncollectible accounts was necessary at December 31, 2023 and 2022.

Subgrants

RA recognizes grants made, classified as subgrants 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.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

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 with readily determinable fair values and all investments in debt securities are measured at fair value. 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 that 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 that are quoted prices (unadjusted) in active markets for identical assets or liabilities that RA has the ability to access.

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

Level 3 - Inputs that are unobservable 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.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

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 period presented in these consolidated financial statements.

Security Deposits

Security deposits represent funds paid to landlords which are held until a lease expires or is terminated. RA does not classify these assets as restricted cash.

Leases

RA categorizes leases with contractual terms longer than 12 months as either operating or finance. Finance leases are generally those leases that allow RA to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the consolidated statement of financial position. RA had no finance leases during 2023 and 2022.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, RA accounts for these other services as a component of the lease. For all other leases, the services are accounted for separately and RA allocates payments to the lease and other service components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on the risk-free rate. Right-of-use assets are recognized based on the initial present value of the fixed lease payments plus any direct costs from executing the lease. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

Allocation of Expenses

The costs of providing program and supporting services 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 and licenses	Direct expenses
Depreciation	Direct expenses

Advertising and Marketing Costs

RA expenses advertising and marketing costs as incurred. Advertising and marketing costs were \$926,582 and \$353,491 for the years ended December 31, 2023 and 2022, respectively.

Programs

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

Landscapes and Communities - This program advances long-term, landscape-level initiatives to support sustainable, community-based development in communities vulnerable to ecological and social destruction, including farming certification projects, thereby 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 - This program 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 and 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 gain (loss) adjustments of approximately \$192,000 and \$337,000 for the years ended December 31, 2023 and 2022, respectively, are included in other losses in the consolidated statement of activities and changes in net assets.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

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 Adopted in the Current Year

Accounting for Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") amending the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposure and other financial instruments recorded at amortized cost. The Organization adopted the new standard effective January 1, 2023, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption. There was not a significant impact as a result of adoption of this accounting pronouncement.

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, 2023 and 2022, as follows:

	<u>2023</u>	<u>2022</u>
Cocoa	\$ 18,605,122	\$ 14,889,410
Coffee	27,501,272	30,599,832
Tea	1,969,644	1,545,814
Coconut oil	7,500	47,920
Juice	706,988	1,842,098
Bananas	1,999,670	2,418,665
Nuts	382,793	251,292
Herbs and spices	338,035	112,575
Other perishables	93,808	14,773
	<u>\$ 51,604,832</u>	<u>\$ 51,722,379</u>

Other Contract Revenue

RA's other contract revenue represents contracts whereby the customer receives direct commensurate value and comprises risk assessment engagements and advisory engagements.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

The following represents revenue for these categories at December 31:

	<u>2023</u>	<u>2022</u>
Advisory engagements	\$ 6,162,050	\$ 4,045,964

Contract Balances

Royalty and other contract receivables and contract balances from contracts with customers at December 31, 2023 and 2022, were as follows:

	<u>2023</u>			<u>2022</u>		
	<u>Royalty and Other Contract Receivables</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>	<u>Royalty and Other Contract Receivables</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
Beginning of year	\$ 17,147,207	\$ 1,967,642	\$ 934,104	\$ 2,664,298	\$ 5,095,483	\$ 1,170,109
End of year	\$ 10,339,313	\$ 525,000	\$ 1,713,747	\$ 17,147,207	\$ 1,967,642	\$ 934,104

4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of liabilities, were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 14,814,352	\$ 18,946,432
Grants and contributions receivable	10,728,883	7,660,473
Royalty and other contract receivables, net	10,339,313	17,147,207
Contract assets	525,000	1,967,642
Investments	<u>36,905,102</u>	<u>32,480,585</u>
Total financial assets	73,312,650	78,202,339
Less: Amounts not available for general expenditure within one year		
Net assets with donor restrictions	<u>(4,889,072)</u>	<u>(7,078,775)</u>
Liquidity resources		
Available line of credit	<u>10,000,000</u>	<u>-</u>
Total financial assets and liquidity resources	<u>\$ 78,423,578</u>	<u>\$ 71,123,564</u>

RA manages its financial assets to be available as its operating expenditures, liabilities, and other obligations become 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. RA's affiliate owes funds to RA from time to time. At December 31, 2023, there is an amount due of \$1,903,803 in which there is no expectation of repayment; therefore, the amount is not included in the above table. Additionally, included within net assets with donor restrictions are funds that are tied to specific projects that can be expended in the subsequent year when the donor purpose is met (see Note 15).

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

5. GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Grants and contributions expected to be collected		
In one year or less	\$ 10,346,437	\$ 5,883,423
Between one and five years	<u>437,000</u>	<u>1,854,201</u>
	10,783,437	7,737,624
Less: Discount to present value	<u>54,554</u>	<u>77,151</u>
Grants and contributions receivable, net	<u>\$ 10,728,883</u>	<u>\$ 7,660,473</u>

6. INVESTMENTS AND FAIR VALUE

Investments consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
U.S. Equity ETF	\$ 5,213	\$ 4,622
U.S. Fixed Income	13,678,657	18,464,397
U.S. Large Cap Equity	13,974,477	8,162,921
Europe, Australasia, Far East Equity	4,112,247	3,006,747
Global ETF	480,716	-
Global Fixed Income	863,978	-
Global Equity	3,721,757	2,820,972
Other investments	<u>68,057</u>	<u>20,926</u>
	<u>\$ 36,905,102</u>	<u>\$ 32,480,585</u>

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

	<u>2023</u>	<u>2022</u>
Realized and unrealized gains (losses)	\$ 3,659,390	\$ (5,625,443)
Interest and dividend income	1,277,099	641,559
Investment expenses	<u>(102,987)</u>	<u>(111,421)</u>
	<u>\$ 4,833,502</u>	<u>\$ (5,095,305)</u>

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

The following tables summarize the carrying and fair value information for investments at December 31:

	2023		
	Fair Value		
	Level 1	Level 2	Total
U.S. Equity ETF	\$ 5,213	\$ -	\$ 5,213
U.S. Fixed Income	13,678,657	-	13,678,657
U.S. Large Cap Equity	13,974,477	-	13,974,477
Europe, Australasia, Far East Equity	4,112,247	-	4,112,247
Global ETF	480,716	-	480,716
Global Fixed Income	863,978	-	863,978
Global Equity	3,721,757	-	3,721,757
Other investments	-	68,057	68,057
	<u>\$ 36,837,045</u>	<u>\$ 68,057</u>	<u>\$ 36,905,102</u>

	2022		
	Fair Value		
	Level 1	Level 2	Total
Equity ETF	\$ 4,622	\$ -	\$ 4,622
U.S. Fixed Income	18,464,397	-	18,464,397
U.S. Large Cap Equity	8,162,921	-	8,162,921
Europe, Australasia, Far East Equity	3,006,747	-	3,006,747
Global Equity	2,820,972	-	2,820,972
Other investments	-	20,926	20,926
	<u>\$ 32,459,659</u>	<u>\$ 20,926</u>	<u>\$ 32,480,585</u>

7. PROPERTY AND EQUIPMENT

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

	2023	2022
Furniture and equipment	\$ 1,259,385	\$ 1,086,729
Leasehold improvements	814,390	814,317
	2,073,775	1,901,046
Less: Accumulated depreciation	1,655,070	1,596,425
	<u>\$ 418,705</u>	<u>\$ 304,621</u>

Depreciation expense amounted to \$89,555 and \$210,009 for the years ended December 31, 2023 and 2022, respectively, and is included in depreciation and amortization expense in the consolidated statement of functional expenses.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

8. SOFTWARE

Capitalized software consists of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Software	\$ 1,532,551	\$ 1,296,342
Less: Accumulated amortization	<u>1,200,140</u>	<u>824,906</u>
	<u>\$ 332,411</u>	<u>\$ 471,436</u>

Amortization expense amounted to \$375,245 and \$391,782 for the years ended December 31, 2023 and 2022, respectively.

9. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the consolidated statement of activities and changes in net assets included the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Legal services	\$ 1,026,544	\$ 1,181,607
Advertising	291,000	293,000
Property and equipment	<u>17,336</u>	<u>-</u>
	<u>\$ 1,334,880</u>	<u>\$ 1,474,607</u>

RA recognizes contributed nonfinancial assets within revenue, which includes donated services. Contributed nonfinancial assets do not have donor-imposed restrictions. Donated services recognized comprise professional services from attorneys advising RA on various administrative and programmatic legal matters and advertising services related to search engine optimization and marketing. Donated services are valued and are reported at the estimated fair value in the consolidated financial statements based on standard industry pricing for similar services for professional fees and third-party estimates using billing rates in like circumstances for advertising services.

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 \$585,000 and \$514,000 for the years ended December 31, 2023 and 2022, 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 \$3,396,000 and \$2,802,000 at December 31, 2023 and 2022, respectively, which is included in foreign severance payable in the consolidated statement 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.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

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. RA has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on RA's consolidated financial condition, results of operations, and cash flows. As of December 31, 2023 and 2022, RA had amounts of approximately \$3,233,000 and \$2,509,000, respectively, in foreign banks which are not insured by the Federal Deposit Insurance Corporation or any federal or state agency and subject to currency fluctuation risks.

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 donor that comprise 59% and 26% of the outstanding balance at December 31, 2023 and 2022, respectively. One donor comprised 12% and 14% of revenue for the years ended December 31, 2023 and 2022, respectively.

RA received revenues from foreign governments and other organizations of approximately \$8,900,000 and \$6,200,000, which are included in government grants and contracts for the years ended December 31, 2023 and 2022, 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. RA does not hold derivative financial instruments to manage the fluctuation of exchange rate risk. The assets and liabilities held in other foreign currencies include cash, severance, and payroll liabilities.

12. LINE OF CREDIT

The Organization entered into a line of credit with a financial institution in August 2023. The line has a maximum available amount of \$10,000,000 with an interest rate at 115 basis points over the published SOFR rate (6.53% at December 31, 2023), no stated maturity, and collateralized by certain investments held by the Organization. There were no drawdowns during 2023 and the outstanding balance at December 31, 2023 was \$-0-.

13. 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. Annual rent expenses paid under the leases include the basic rent plus charges for common area management costs and real estate tax escalation charges.

RA subleased its New York office space in a sublease agreement that expired May 2023. 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.

The renewal options have not been included in the lease liability calculation, since it is not reasonably certain that they will be exercised, based on general uncertainties that come with the passage of time.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

Because the rates implicit in the leases are generally not available, RA utilizes its risk-free rate as the discount rate. The weighted average discount rate associated with operating leases as of December 31, 2023 and 2022, is 1.51% and 1.74%, respectively. The weighted average remaining lease term associated with operating leases as of December 31, 2023 and 2022, is 2.20 years and 2.27 years, respectively. Operating cash flows from operating leases totaled approximately \$1,324,000 and \$1,882,000 for the years ended December 31, 2023 and 2022, respectively.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2023:

2024	\$ 442,167
2025	210,946
2026	113,327
2027	62,192
2028	-
2029 and thereafter	-
	<u>828,632</u>
Less: Imputed interest	<u>(11,728)</u>
Lease liability at December 31, 2023	<u>\$ 816,904</u>

Lease expense is included in office costs on the consolidated statement of functional expenses and comprises the following for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease expense	\$ 1,394,563	\$ 1,725,814
Short-term lease expense	-	332,500
Sublease income	<u>(434,053)</u>	<u>(1,314,063)</u>
	<u>\$ 960,510</u>	<u>\$ 744,251</u>

14. COMMITMENTS AND CONTINGENCIES

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 May 2028 of approximately \$49,404,000. 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.

General Litigation

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

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

15. NET ASSETS

Net assets with donor restrictions are composed of the following at December 31:

	<u>2023</u>	<u>2022</u>
Programmatic restrictions		
Landscapes and communities	\$ 3,209,410	\$ 4,731,041
Markets transformation	623,322	1,432,037
Charitable trusts	22,180	22,180
Time restricted for expenditures	34,160	(106,483)
Donor endowed principal	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 4,889,072</u>	<u>\$ 7,078,775</u>

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

	<u>2023</u>	<u>2022</u>
Programmatic restrictions		
Landscapes and communities	\$ 23,125,268	\$ 21,113,803
Markets transformation	3,095,256	2,908,361
Charitable trusts	<u>-</u>	<u>1,568</u>
	<u>\$ 26,220,524</u>	<u>\$ 24,023,732</u>

16. ENDOWMENT FUND

RA's endowment is composed of one donor-restricted endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment fund 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, a charitable organization can only spend amounts of an endowment fund that are 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 it as a net asset with donor restrictions at the original value of the gift donated to the permanent endowment. Investment earnings on the donor-restricted endowment fund are classified as net assets with donor restrictions 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

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

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 years ended December 31:

	<u>2023</u>	<u>2022</u>
Endowment assets at beginning of year	\$ 893,517	\$ 1,150,748
Appropriation for expenditure	<u>(12,245)</u>	<u>(14,949)</u>
Investment return		
Investment income	34,685	18,734
Unrealized gain (loss)	<u>118,203</u>	<u>(261,016)</u>
	<u>152,888</u>	<u>(242,282)</u>
Endowment assets at end of year	<u>\$ 1,034,160</u>	<u>\$ 893,517</u>

Endowment net assets at December 31, 2023 and 2022, consist of the following:

Donor-restricted endowment		
Historical gift value	\$ 1,000,000	\$ 1,000,000
Appreciation (depreciation)	<u>34,160</u>	<u>(106,483)</u>
Endowment assets at end of year	<u>\$ 1,034,160</u>	<u>\$ 893,517</u>

RA invests the endowment fund in a separate investment account. The investment account associated with the endowment is included in investments in the consolidated statement of financial position. Donor-restricted funds released from restrictions in the current year are transferred from the investment account in subsequent years in accordance with RA's spending policy that such funds are used for programmatic purposes.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or state law requires RA to retain as a fund of perpetual duration. Deficiencies of this nature exist for accumulated donor-restricted endowment funds. RA had one fund which had an original gift value of \$1,000,000, a current fair value approximately of \$893,517, and a deficiency of approximately \$106,483 as of December 31, 2022. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the board of trustees. There were no underwater endowment funds as of December 31, 2023.

17. RELATED PARTY TRANSACTIONS

RA contributed approximately \$34,114,000 and \$12,864,000 for the years ended December 31, 2023 and 2022, respectively to 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, and the 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 \$1,903,803 and \$2,301,251 at December 31, 2023 and 2022, respectively.

Rainforest Alliance, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2023 (With Summarized Comparative Information for December 31, 2022)

18. SUBSEQUENT EVENTS

RA has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of June 26, 2024, 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 in these consolidated financial statements.