



**RAINFOREST ALLIANCE, INC. AND SUBSIDIARIES**  
**Consolidated Financial Statements**  
**December 31, 2024**  
**(With Summarized Comparative Consolidated Information**  
**for December 31, 2023)**  
**With Independent Auditor's Report**

**Rainforest Alliance, Inc. and Subsidiaries**  
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**December 31, 2024 and 2023**

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## 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, 2024, 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, 2024, 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, 2023, consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 26, 2024. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended December 31, 2023, 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".

June 27, 2025

**Rainforest Alliance, Inc. and Subsidiaries**  
**Consolidated Statement of Financial Position**  
**December 31, 2024 (With Summarized Comparative Totals as of December 31, 2023)**

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 15,941,648	\$ 14,814,352
Grants and contributions receivable, current portion	11,016,388	10,318,515
Royalty and other contract receivables, net of allowance for doubtful accounts of \$1,551,471 and \$300,304 at December 31, 2024 and 2023	13,277,862	10,339,313
Contract assets	283,000	525,000
Due from affiliate	-	1,903,803
Advances and prepaid expenses	1,887,172	1,868,989
Investments	<u>33,320,399</u>	<u>35,870,942</u>
Total current assets	<u>75,726,469</u>	<u>75,640,914</u>
Noncurrent assets		
Intangible assets, net	23,367	332,411
Property and equipment, net	323,315	418,705
Right-of-use assets, net	1,126,552	772,836
Grants and contributions receivable, net of current portion and discount to present value	-	410,368
Security deposits	135,485	230,372
Investments	<u>1,137,728</u>	<u>1,034,160</u>
Total other assets	<u>2,746,447</u>	<u>3,198,852</u>
Total assets	<u>\$ 78,472,916</u>	<u>\$ 78,839,766</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,349,627	\$ 5,368,706
Due to affiliate	3,807,561	-
Contract liabilities	1,890,293	1,713,747
Refundable grants payable	6,042,767	6,021,850
Derivative liability	1,113,137	-
Lease liabilities	<u>392,514</u>	<u>442,167</u>
Total current liabilities	18,595,899	13,546,470
Long-term liabilities		
Lease liabilities, net of current portion	720,459	374,737
Foreign severance payable	<u>3,497,989</u>	<u>3,395,760</u>
Total liabilities	<u>22,814,347</u>	<u>17,316,967</u>
Net assets		
Without donor restrictions	52,134,380	56,633,727
With donor restrictions	<u>3,524,189</u>	<u>4,889,072</u>
Total net assets	<u>55,658,569</u>	<u>61,522,799</u>
Total liabilities and net assets	<u>\$ 78,472,916</u>	<u>\$ 78,839,766</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, 2024**  
**(With Summarized Comparative Totals for the Year Ended December 31, 2023)**

	Without Donor Restrictions					
	Undesignated Operating	Designated for Capital and Investments	Total	With Donor Restrictions	Total	2023
<b>Support and revenues</b>						
Contributions of cash and financial assets						
Major donors and individuals	\$ 2,671,539	\$ -	\$ 2,671,539	\$ 400,000	\$ 3,071,539	\$ 2,931,875
Foundations and corporate grants	-	-	-	4,209,375	4,209,375	4,371,736
Government grants and contracts	-	-	-	20,170,767	20,170,767	19,167,716
Special events, net	26,640	-	26,640	-	26,640	-
Contributions of nonfinancial assets	897,079	-	897,079	-	897,079	1,334,880
Revenue from contracts with customers						
Royalty revenue	60,730,100	-	60,730,100	-	60,730,100	51,604,832
Other contract revenue	10,098,706	-	10,098,706	-	10,098,706	6,162,050
Net investment return (loss)	464,222	3,306,421	3,770,643	124,480	3,895,123	4,833,502
Other gains (losses)	16,135	242,542	258,677	-	258,677	271,024
Transfers	5,972,678	(5,972,678)	-	-	-	-
Net assets released from restrictions	26,269,505	-	26,269,505	(26,269,505)	-	-
Total support and revenues	107,146,604	(2,423,715)	104,722,889	(1,364,883)	103,358,006	90,677,615
<b>Expenses</b>						
Program services						
Landscapes and communities	35,687,456	398,411	36,085,867	-	36,085,867	33,477,148
Markets transformation	15,603,801	41,602	15,645,403	-	15,645,403	13,300,846
Total program services	51,291,257	440,013	51,731,270	-	51,731,270	46,777,994
Supporting services						
Management and general	13,863,182	77,733	13,940,915	-	13,940,915	11,925,961
Fundraising	3,795,373	2,474	3,797,847	-	3,797,847	3,209,834
Total supporting services	17,658,555	80,207	17,738,762	-	17,738,762	15,135,795
Total expenses	68,949,812	520,220	69,470,032	-	69,470,032	61,913,789
<b>Changes in net assets prior to nonoperating activity and contributions to affiliate</b>	38,196,792	(2,943,935)	35,252,857	(1,364,883)	33,887,974	28,763,826
<b>Nonoperating activity</b>						
Unrealized loss on derivative transactions	(1,113,137)	-	(1,113,137)	-	(1,113,137)	-
Contributions to affiliate	(38,639,067)	-	(38,639,067)	-	(38,639,067)	(34,114,000)
Total nonoperating activity	(39,752,204)	-	(39,752,204)	-	(39,752,204)	(34,114,000)
<b>Changes in net assets</b>	(1,555,412)	(2,943,935)	(4,499,347)	(1,364,883)	(5,864,230)	(5,350,174)
<b>Net assets</b>						
Beginning of year	20,022,711	36,611,016	56,633,727	4,889,072	61,522,799	66,872,973
End of year	\$ 18,467,299	\$ 33,667,081	\$ 52,134,380	\$ 3,524,189	\$ 55,658,569	\$ 61,522,799

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, 2024**  
**(With Summarized Comparative Totals for the Year Ended December 31, 2023)**

	Program Services			Supporting Services				
	Landscapes and Communities	Markets Transformation	Total Program Services	Management and General	Fund- Raising	Total Supporting Services	Total	2023
Salaries and benefits	\$ 14,031,029	\$ 8,477,901	\$ 22,508,930	\$ 6,408,539	\$ 2,985,300	\$ 9,393,839	\$ 31,902,769	\$ 29,460,734
Subgrants	11,837,352	2,216,995	14,054,347	-	-	-	14,054,347	11,473,525
Consultants and professional fees	4,011,001	1,562,933	5,573,934	1,510,585	252,447	1,763,032	7,336,966	6,786,058
IT services and licenses	164,867	579,391	744,258	3,364,074	1,915	3,365,989	4,110,247	2,996,616
Marketing and subscription fees	231,285	869,553	1,100,838	152,124	194,491	346,615	1,447,453	1,557,405
Bank and other fees	203,406	32,531	235,937	361,870	57,499	419,369	655,306	325,204
Insurance	35,388	8,333	43,721	456,132	945	457,077	500,798	430,402
Equipment and materials	580,352	45,406	625,758	62,712	267	62,979	688,737	475,242
Office costs	942,660	416,357	1,359,017	286,778	169,324	456,102	1,815,119	2,043,618
Travel	1,992,206	894,119	2,886,325	343,981	124,378	468,359	3,354,684	3,090,938
Training and workshops	1,412,279	325,157	1,737,436	19,117	8,807	27,924	1,765,360	1,912,914
Bad debt expense (recovery)	245,631	175,125	420,756	191	-	191	420,947	(432,252)
	35,687,456	15,603,801	51,291,257	12,966,103	3,795,373	16,761,476	68,052,733	60,120,404
Professional services - in-kind	-	-	-	897,079	-	897,079	897,079	1,317,543
	35,687,456	15,603,801	51,291,257	13,863,182	3,795,373	17,658,555	68,949,812	61,437,947
Depreciation and amortization	398,411	41,602	440,013	77,733	2,474	80,207	520,220	475,842
	<u>\$ 36,085,867</u>	<u>\$ 15,645,403</u>	<u>\$ 51,731,270</u>	<u>\$ 13,940,915</u>	<u>\$ 3,797,847</u>	<u>\$ 17,738,762</u>	<u>\$ 69,470,032</u>	<u>\$ 61,913,789</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, 2024 (With Summarized Comparative Totals for the Year**  
**Ended December 31, 2023)**

	<u>2024</u>	<u>2023</u>
<b>Operating activities</b>		
Changes in net assets	\$ (5,864,230)	\$ (5,350,174)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	520,220	475,842
Bad debt expense	1,251,471	(432,252)
Net present value adjustment	(46,353)	22,597
Realized and unrealized gains on investments	(2,698,649)	(3,659,390)
Amortization of right-of-use assets	543,202	1,303,230
Unrealized loss on derivative transactions	1,113,137	-
Loss on disposal of assets	-	117
Changes in assets and liabilities		
Grants and contributions receivable	(241,152)	(3,091,007)
Royalty and other contract receivables	(4,190,020)	7,240,146
Contract assets	242,000	1,442,642
Due from affiliate	5,711,364	397,448
Advances and prepaid expenses	(18,183)	390,788
Security deposits	94,887	241,039
Accounts payable and accrued expenses	(19,079)	(1,263,709)
Contract liabilities	176,546	779,643
Refundable grants payable	20,917	(618,188)
Lease liabilities	(600,849)	(1,388,428)
Foreign severance payable	102,229	593,721
Net cash used in operating activities	<u>(3,902,542)</u>	<u>(2,915,935)</u>
<b>Investing activities</b>		
Purchase of investments and reinvested income	(7,230,580)	(9,167,652)
Sale of investments	12,376,204	8,402,525
Investment in software	-	(236,220)
Purchase of property and equipment	<u>(115,786)</u>	<u>(214,798)</u>
Net cash provided by (used in) investing activities	<u>5,029,838</u>	<u>(1,216,145)</u>
Net change in cash and cash equivalents	1,127,296	(4,132,080)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>14,814,352</u>	<u>18,946,432</u>
End of year	<u>\$ 15,941,648</u>	<u>\$ 14,814,352</u>
<b>Supplemental disclosure of non-cash information</b>		
Right or use assets obtained in exchange for operating lease liabilities	<u>\$ 896,918</u>	<u>\$ -</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, 2024 (With Summarized Comparative Information for December 31, 2023)**

**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, 2024 (With Summarized Comparative Information for December 31, 2023)**

**Prior-Year Summarized Comparative Consolidated Information**

Consolidated information as of and for the year ended December 31, 2023, 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, 2023, 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 12), the derivative liability (Note 8) and the allowance for doubtful accounts (Note 2). 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, 2024 and 2023. 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, 2024 and 2023, are \$6,042,767 and \$6,021,850, 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, 2024 (With Summarized Comparative Information for December 31, 2023)**

**Special Events**

Special event revenues are presented net of the direct costs of the event. For the years ended December 31, 2024 and 2023, direct costs netted in special event revenue were \$23,767 and \$0, 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, 2024 (With Summarized Comparative Information for December 31, 2023)**

*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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Balance, beginning of the year	\$ 300,000	\$ 800,000
Cumulative effect of adoption	-	(500,000)
Provision for credit losses	1,251,471	2,734
Receivables written off	-	(2,734)
Balance, end of the year	<u>\$ 1,551,471</u>	<u>\$ 300,000</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, 2024 and 2023, was 3.88%. RA monitors the collectability of these receivables and has determined that no allowance for uncollectible accounts was necessary at December 31, 2024 and 2023.

**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, 2024 (With Summarized Comparative Information for December 31, 2023)**

**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 fair value measurements 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).

**Derivatives and Financial Instruments**

RA enters into derivative financial instruments, such as foreign exchange contracts, to manage exposure to foreign currency risk arising from its international operations. In accordance with ASC 815, Derivatives and Hedging, all derivative instruments are recognized as either assets or liabilities on the statement of financial position and measured at fair value, as determined under ASC 820, Fair Value Measurement. The Organization does not elect hedge accounting for its derivative instruments. Accordingly, changes in the fair value of derivatives are recognized in the statement of activities within other income (expense).

The fair value of derivative instruments is estimated using market-based inputs, such as spot exchange rates, interest rates, and implied volatilities, and may incorporate unobservable inputs for complex features, such as barrier levels or leverage components. Valuation techniques, including option pricing models (e.g., Black-Scholes or binomial models), are used to determine fair value. The Organization assesses counterparty credit risk and may apply a credit valuation adjustment (CVA) when significant.

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Cash flows from derivative settlements are classified in the statement of cash flows based on the purpose of the derivative, typically as operating activities for contracts related to operational cash flows. The Organization discloses the objectives, strategies, and risks associated with its derivative instruments, including market and credit risks, notional amounts, and fair value measurements, in the notes to the financial statements.

**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 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 2024 and 2023.

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.

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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.

**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 \$1,025,525 and \$926,582 for the years ended December 31, 2024 and 2023, 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.

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*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 \$67,000 and \$192,000 for the years ended December 31, 2024 and 2023, respectively, are included in other losses in the consolidated statement of activities and changes in net assets.

**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, 2024 and 2023, as follows:

	<u>2024</u>	<u>2023</u>
Cocoa	\$ 18,569,958	\$ 18,605,122
Coffee	33,341,940	27,501,272
Tea	3,675,706	1,969,644
Coconut oil	88,709	7,500
Juice	1,176,583	706,988
Bananas	2,165,525	1,999,670
Nuts	597,287	382,793
Herbs and spices	573,242	338,035
Other perishables	368,100	93,808
Other royalty fees	173,050	-
	<u>\$ 60,730,100</u>	<u>\$ 51,604,832</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.



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The following represents revenue for these categories at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Advisory and fee for service engagements	\$ 10,098,706	\$ 6,162,050

**Contract Balances**

Royalty and other contract receivables and contract balances from contracts with customers at December 31, 2024 and 2023, were as follows:

	<u>2024</u>			<u>2023</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	\$ 10,339,313	\$ 525,000	\$ 1,713,747	\$ 17,147,207	\$ 1,967,642	\$ 934,104
End of year	\$ 13,277,862	\$ 283,000	\$ 1,890,293	\$ 10,339,313	\$ 525,000	\$ 1,713,747

**4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of December 31, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and fulfillment of liabilities, were as follows:

	<u>2024</u>	<u>2023</u>
Financial assets		
Cash and cash equivalents	\$ 15,941,648	\$ 14,814,352
Grants and contributions receivable	11,016,388	10,728,883
Royalty and other contract receivables, net	13,277,862	10,339,313
Contract assets	283,000	525,000
Investments	<u>34,458,127</u>	<u>36,905,102</u>
Total financial assets	74,977,025	73,312,650
Less: Amounts not available for general expenditures within one year		
Net assets with donor restrictions	<u>(3,524,189)</u>	<u>(4,889,072)</u>
Liquidity resources		
Available line of credit	<u>10,000,000</u>	<u>10,000,000</u>
Total financial assets and liquidity resources	<u>\$ 81,452,836</u>	<u>\$ 78,423,578</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. 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 17).

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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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Grants and contributions expected to be collected		
In one year or less	\$ 11,024,589	\$ 10,346,437
Between one and five years	<u>-</u>	<u>437,000</u>
	11,024,589	10,783,437
Less: Discount to present value	<u>8,201</u>	<u>54,554</u>
Grants and contributions receivable, net	<u>\$ 11,016,388</u>	<u>\$ 10,728,883</u>

**6. INVESTMENTS**

The carrying value of investments consists of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
U.S. Equity ETF	\$ 5,617	\$ 5,213
U.S. Fixed Income	11,902,390	13,678,657
U.S. Large Cap Equity	14,356,627	13,974,477
Europe, Australasia, Far East Equity	3,141,460	4,112,247
Global ETF	408,766	480,716
Global Fixed Income	1,250,973	863,978
Global Equity	3,227,019	3,721,757
Other investments	<u>165,275</u>	<u>68,057</u>
	<u>\$ 34,458,127</u>	<u>\$ 36,905,102</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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Realized and unrealized gains (losses)	\$ 2,698,649	\$ 3,659,390
Interest and dividend income	1,347,713	1,277,099
Investment expenses	<u>(151,239)</u>	<u>(102,987)</u>
	<u>\$ 3,895,123</u>	<u>\$ 4,833,502</u>

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**7. FAIR VALUE INFORMATION**

The following tables summarize the carrying and fair value information for assets and liabilities at fair value:

<b>2024</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
<b>Investments</b>				
U.S. Equity ETF	\$ 5,617	\$ -	\$ -	\$ 5,617
U.S. Fixed Income	11,902,390	-	-	11,902,390
U.S. Large Cap Equity	14,356,627	-	-	14,356,627
Europe, Australasia, Far East Equity	3,141,460	-	-	3,141,460
Global ETF	408,766	-	-	408,766
Global Fixed Income	1,250,973	-	-	1,250,973
Global Equity	3,227,019	-	-	3,227,019
Other investments	-	126,814	-	126,814
Total investments at fair value	<u>\$ 34,292,852</u>	<u>\$ 126,814</u>	<u>\$ -</u>	<u>34,419,666</u>
Investments at net asset value				<u>38,461</u>
Total investments				<u>\$ 34,458,127</u>
<b>Liabilities</b>				
Derivative liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,113,137</u>	<u>\$ 1,113,137</u>
<b>2023</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
<b>Investments</b>				
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 Fixed Income	480,716	-	-	480,716
Global Equity	863,978	-	-	863,978
Global Equity	3,721,757	-	-	3,721,757
Other investments	-	68,057	-	68,057
Total investments at fair value	<u>\$ 36,837,045</u>	<u>\$ 68,057</u>	<u>\$ -</u>	<u>\$ 36,905,102</u>

**Derivative Liability**

As of December 31, 2024, the fair value of the LFE contract was \$(1,113,137), reported as a derivative liability in the consolidated statements of financial position. The fair value is classified as a current liability, as all expiries occur within one year. The fair value was determined using a binomial option pricing model, incorporating the following key inputs:

- Spot EUR/USD exchange rate.
- Strike rate of 1.0800.
- Barrier level of 1.0550.
- Time to each expiry.
- Implied volatility of EUR/USD.

Risk-free interest rates for USD and EUR. Due to the bespoke barrier and leverage features, certain inputs, such as adjustments for the barrier feature, are unobservable, resulting in a Level 3 classification under ASC 820's fair value hierarchy.

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**8. DERIVATIVE FINANCIAL INSTRUMENTS**

*Overview and Objectives*

RA uses derivative financial instruments to manage foreign currency exchange rate risk associated with its international program activities conducted in euros (EUR). As of December 31, 2024 the Organization holds a Leveraged Forward Extra (LFE) contract, a foreign exchange derivative combining elements of a forward contract and an option with a barrier feature. The LFE is not designated as a hedging instrument under ASC 815, Derivatives and Hedging. The Organization's objective in entering the LFE is to mitigate the risk of adverse EUR/USD exchange rate fluctuations impacting its operational cash flows.

During the year ended December 31, 2024, the Organization entered into an EUR/USD LFE contracts amounting to €30,000,000 Notional amounts and €32,400,000 Leveraged Amounts with a financial institution as the counterparty. The contracts which expire in 12 months have a 1.08 strike rate, 1.055 Euro barrier level and no upfront costs. If the spot EUR/USD rate at expiry is  $\leq 1.0550$ , the Organization is obligated to buy €32,400,000 at 1.0800, if the spot EUR/USD rate is between 1.0550 and 1.0800, the contract is worthless, and the Organization may transact at the prevailing spot rate and if the spot EUR/USD rate is  $\geq 1.0800$ , the Organization has the right to buy €30,000,000 at 1.0800.

The LFE is accounted for as a derivative under ASC 815 and is measured at fair value through changes in net assets in the statement of activities.

*Changes in Fair Value*

For the year ended December 31, 2024, the Organization recognized an unrealized loss of \$1,113,137 related to changes in the fair value of the LFE contract, included in nonoperating revenue (expense) in the consolidated statement of activities and changes in net assets.

**9. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 1,292,708	\$ 1,259,385
Leasehold improvements	<u>814,377</u>	<u>814,390</u>
	2,107,085	2,073,775
Less: Accumulated depreciation	<u>1,783,770</u>	<u>1,655,070</u>
	<u>\$ 323,315</u>	<u>\$ 418,705</u>

Depreciation expense amounted to \$211,176 and \$89,555 for the years ended December 31, 2024 and 2023, respectively, and is included in depreciation and amortization expense in the consolidated statement of functional expenses.

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**10. INTANGIBLE ASSETS**

Intangible assets consist of the following as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Software	\$ 1,532,537	\$ 1,532,551
Less: Accumulated amortization	<u>1,509,170</u>	<u>1,200,140</u>
	<u>\$ 23,367</u>	<u>\$ 332,411</u>

Amortization expense amounted to \$309,044 and \$375,245 for the years ended December 31, 2024 and 2023, respectively. Amortization of the next 5 years is as follows: 2025 - \$23,367.

**11. 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Legal services	\$ 824,036	\$ 1,026,544
Advertising	73,043	291,000
Property and equipment	<u>-</u>	<u>17,336</u>
	<u>\$ 897,079</u>	<u>\$ 1,334,880</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.

**12. 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 \$610,000 and \$585,000 for the years ended December 31, 2024 and 2023, 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 \$3,498,000 and \$3,396,000 at December 31, 2024 and 2023, 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.

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**13. 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, 2024 and 2023, RA had amounts of approximately \$2,107,000 and \$3,233,000, 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 two donors that comprise 68% and 59% of the outstanding balance at December 31, 2024 and 2023, respectively. One donor comprised 14% and 12% of revenue for the years ended December 31, 2024 and 2023, respectively.

RA received revenues from foreign governments and other organizations of approximately \$5,437,000 and \$8,900,000, which are included in government grants and contracts for the years ended December 31, 2024 and 2023, 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.

**14. 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% and 5.64% at December 31, 2023), no stated maturity, and collateralized by certain investments held by the Organization. There were no drawdowns during 2023 and 2024 and there was no outstanding balance at December 31, 2024 and 2023.

**15. 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 2029. 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.

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.

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The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2024:

2025	\$ 411,578
2026	311,115
2027	183,719
2028	188,312
2029	63,285
	<u>1,158,009</u>
Less: Imputed interest	<u>(45,036)</u>
Lease liability at December 31, 2024	<u>\$ 1,112,973</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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 665,368	\$ 1,394,563
Sublease income	<u>-</u>	<u>(434,053)</u>
	<u>\$ 665,368</u>	<u>\$ 960,510</u>

Other information related to leases was as follows at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Weighted average discount rate (%)	2.35%	1.51%
Weighted average remaining term (years)	3.38	2.20
Operating cash flows included in measurement of lease liability	\$ 597,458	\$ 1,324,049

## **16. 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 2030 of approximately \$41,662,000 as of December 31, 2024. Subsequent to December 31, 2024 the federal government closed USAID and rescinded open contracts (See subsequent event note 20). 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.

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**17. NET ASSETS**

Net assets with donor restrictions are composed of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Programmatic restrictions		
Landscapes and communities	\$ 2,361,461	\$ 3,209,410
Markets transformation	-	623,322
Charitable trusts	25,000	22,180
Time restricted for expenditures	137,728	34,160
Donor endowed principal	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 3,524,189</u>	<u>\$ 4,889,072</u>

The following is a schedule of net assets that were released from donor restrictions for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Programmatic restrictions		
Landscapes and communities	\$ 24,154,519	\$ 23,125,268
Markets transformation	<u>2,114,986</u>	<u>3,095,256</u>
	<u>\$ 26,269,505</u>	<u>\$ 26,220,524</u>

**18. 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

RA has developed an investment policy that will determine return objectives and risk parameters and strategies employed for achieving objectives.



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The following table provides information regarding the change in endowment net assets for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Endowment assets at beginning of year	\$ 1,034,160	\$ 893,517
Appropriation for expenditure	<u>(20,912)</u>	<u>(12,245)</u>
Investment return		
Investment income	39,643	34,685
Unrealized gain (loss)	<u>84,837</u>	<u>118,203</u>
	<u>124,480</u>	<u>152,888</u>
Endowment assets at end of year	<u>\$ 1,137,728</u>	<u>\$ 1,034,160</u>

Endowment net assets at December 31, 2024 and 2023, consist of the following:

Donor-restricted endowment		
Historical gift value	\$ 1,000,000	\$ 1,000,000
Appreciation (depreciation)	<u>137,728</u>	<u>34,160</u>
Endowment assets at end of year	<u>\$ 1,137,728</u>	<u>\$ 1,034,160</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. There were no underwater endowment funds as of December 31, 2024 and 2023.

**19. RELATED PARTY TRANSACTIONS**

RA contributed approximately \$38,639,000 and \$34,114,000 for the years ended December 31, 2024 and 2023, 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 (to) from Stichting Rainforest Alliance in the amount of \$(3,807,561) and \$1,903,803 at December 31, 2024 and 2023, respectively.

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**20. SUBSEQUENT EVENTS**

RA has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of June 27, 2025, which is the date the consolidated financial statements were available for issuance.

On January 27, 2025, the Office of Management and Budget of the United States Federal Government instituted a pause (freeze) on the disbursement of federal grant and loan funds, which became effective on January 28, 2025. The extent to which the funding freeze impacts our operations, financial results, and cash flows, both current and future, will depend on future developments, which are highly uncertain and cannot be predicted with any measure of certainty or probability.

In February 2025, the Organization was informed that its grants with the United States Agency for International Development ("USAID") were terminated which approximate \$41,662,000 in remaining unrecognized revenue. Following continued discussions with USAID, one project which was originally canceled has been rescope and will continue through 2025 with an award amount of \$5,500,000. Other than this activity, the Organization is unable to estimate what impact, if any, the funding freeze has on the December 31, 2024 financial statements or our future operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.