

**RAINFOREST
ACTION NETWORK**



**Rainforest
Action
Network**

Financial Statements

**For the year ended
June 30, 2020**

With Independent Auditors' Report Thereon

Rainforest Action Network

(A California Not-for-Profit Corporation)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors Rainforest Action Network

We have audited the accompanying financial statements of Rainforest Action Network (a California nonprofit organization) which comprise the statement of financial position as of June 30, 2020 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rainforest Action Network as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Rainforest Action Network's June 30, 2019 financial statements were audited by another auditor, who expressed an unmodified audit opinion on those audited financial statements in their report dated November 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Danville, California
October 6, 2020

Regalia & Associates

Rainforest Action Network

Statements of Financial Position June 30, 2020 and 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 5,338,367	\$ 4,395,053
Investments	3,424,588	511,178
Grants, pledges and contributions receivable	901,989	1,634,268
Other receivables	11,489	4,703
Prepaid expenses and other current assets	99,438	48,764
Total current assets	<u>9,775,871</u>	<u>6,593,966</u>
Noncurrent assets:		
Grants, pledges and contributions receivable, long-term (net)	120,000	500,000
Property and equipment, net	-	3,688
Deposits	42,852	41,552
Total noncurrent assets	<u>162,852</u>	<u>545,240</u>
	<u>\$ 9,938,723</u>	<u>\$ 7,139,206</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 156,197	\$ 20,415
Accrued payroll liabilities	365,282	302,127
Loan payable to SBA under payroll protection program	770,000	-
Other accrued liabilities	79,379	153,979
Deferred rent	42,949	13,157
Total current liabilities	<u>1,413,807</u>	<u>489,678</u>
Net assets:		
Without donor restrictions	5,615,542	4,050,119
With donor restrictions	2,909,374	2,599,409
Total net assets	<u>8,524,916</u>	<u>6,649,528</u>
	<u>\$ 9,938,723</u>	<u>\$ 7,139,206</u>

Rainforest Action Network

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020
(with Summarized Financial Information for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<i>Changes in net assets:</i>				
Revenue and support:				
Individuals	\$ 2,315,032	\$ 971,943	\$ 3,286,975	\$ 1,557,775
Major gifts	2,408,919	470,924	2,879,843	2,091,021
Foundations	523,153	2,754,919	3,278,072	3,465,117
In-kind contributions	450,019	-	450,019	304,747
Other miscellaneous revenue	97,689	-	97,689	-
Total revenue and support	<u>5,794,812</u>	<u>4,197,786</u>	<u>9,992,598</u>	<u>7,418,660</u>
Special events:				
Special events income	291,637	32,500	324,137	490,508
Special events expense	(87,328)	-	(87,328)	(81,921)
Total special events	<u>204,309</u>	<u>32,500</u>	<u>236,809</u>	<u>408,587</u>
Investment returns:				
Investment income	15,776	-	15,776	8,890
Net assets released from restriction	<u>3,920,321</u>	<u>(3,920,321)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>9,935,218</u>	<u>309,965</u>	<u>10,245,183</u>	<u>7,836,137</u>
Expenses:				
Program services	6,205,401	-	6,205,401	5,579,963
Management and general	909,341	-	909,341	1,005,716
Fundraising	1,256,233	-	1,256,233	1,028,439
Total expenses	<u>8,370,975</u>	<u>-</u>	<u>8,370,975</u>	<u>7,614,118</u>
Increase in net assets before other revenue	1,564,243	309,965	1,874,208	222,019
Other revenue	1,180	-	1,180	10,494
Increase in net assets	<u>1,565,423</u>	<u>309,965</u>	<u>1,875,388</u>	<u>232,513</u>
Net assets at beginning of year	<u>4,050,119</u>	<u>2,599,409</u>	<u>6,649,528</u>	<u>6,417,015</u>
Net assets at end of year	<u>\$ 5,615,542</u>	<u>\$ 2,909,374</u>	<u>\$ 8,524,916</u>	<u>\$ 6,649,528</u>

Rainforest Action Network

Statements of Cash Flows Years ended June 30, 2020 and 2019

	2020	2019
<i>Operating activities:</i>		
Increase in net assets	\$ 1,875,388	\$ 232,513
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	3,688	7,376
Changes in:		
Grants, pledges and contributions receivable	1,112,279	136,371
Other receivables	(6,786)	9,424
Prepaid expenses and other current assets	(50,674)	41,625
Deposits	(1,300)	6,718
Accounts payable	135,782	(14,152)
Accrued payroll liabilities	63,155	13,287
Other accrued liabilities	(74,600)	(15,720)
Deferred rent	29,792	(21,466)
	3,086,724	395,976
<i>Investing activities:</i>		
Purchase of investments	(2,913,410)	(6,523)
	(2,913,410)	(6,523)
<i>Financing activities:</i>		
Proceeds from SBA payroll protection program loan	770,000	-
	770,000	-
Net increase in cash and cash equivalents	943,314	389,453
Cash and cash equivalents at beginning of year	4,395,053	4,005,600
	\$ 5,338,367	\$ 4,395,053
<i>Additional cash flow information:</i>		
Interest paid	\$ -	\$ -
State registration taxes paid	\$ 150	\$ -

Rainforest Action Network

Statement of Functional Expenses

Year Ended June 30, 2020

(with Summarized Financial Information for the Year Ended June 30, 2019)

	Management			2020 Total	2019 Total
	Program Services	and General	Fund- Raising		
Bank charges and fees	\$ 1	\$ 11,195	\$ 116,339	\$ 127,535	\$ 71,173
Campaign supplies	14,889	-	-	14,889	6,078
Contract services	919,525	132,895	54,585	1,107,005	914,368
Digital campaign advertising	40,290	-	299,310	339,600	188,905
Direct mail	-	-	116,489	116,489	349,840
Employee development and training	16,731	3,381	2,252	22,364	37,261
Equipment leases	4,543	1,420	1,336	7,299	7,267
Equipment maintenance and repair	-	-	-	-	176
Grants to third parties	712,662	-	-	712,662	361,399
In-kind expenses - advertising	450,019	-	-	450,019	304,747
Insurance	14,156	4,425	4,163	22,744	21,963
Legal services	17,558	56,059	-	73,617	39,311
Meetings, conferences and conventions	23,397	1,802	884	26,083	120,020
Membership dues	-	-	-	-	24,468
Miscellaneous	10,045	4,782	244	15,071	56,003
Newsletters	4,208	-	281	4,489	21,405
Office supplies and equipment	14,791	4,569	4,187	23,547	40,756
Photography and videography	11,787	-	-	11,787	2,659
Postage and shipping	1,699	604	9,830	12,133	6,344
Printing and copying	22,954	179	3,285	26,418	28,202
Publication and subscriptions	57,045	8,471	14,017	79,533	57,778
Recruitment services	-	61,540	-	61,540	3,197
Rent, depreciation and utilities	238,013	74,399	70,003	382,415	302,584
Salaries, payroll taxes and benefits	3,424,100	491,917	504,893	4,420,910	4,224,108
Software leases	-	16,596	15,656	32,252	40,462
Taxes and related costs	334	12,630	98	13,062	14,656
Telecommunications	23,936	7,438	6,999	38,373	48,097
Travel	136,290	15,039	14,799	166,128	249,217
Volunteer and intern expenses	1,041	-	-	1,041	-
Website	45,387	-	16,583	61,970	71,674
	\$ 6,205,401	\$ 909,341	\$ 1,256,233	\$ 8,370,975	\$ 7,614,118

Notes to Financial Statements
June 30, 2020

1. Organization

Rainforest Action Network ("RAN") was established in 1985 as a California nonprofit publicly-supported charitable corporation to conduct research and educate the public about environmental issues. RAN's mission is to preserve forests, protect the climate and uphold human rights by challenging corporate power and systemic injustice through frontline partnerships and strategic campaigns.

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of Rainforest Action Network have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to RAN's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Comparative Financial Information - The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Cash and Cash Equivalents – Cash consists of all monies on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk – Financial instruments that potentially subject RAN to concentrations of credit risk consist principally of cash and cash equivalents and deposits. RAN maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. RAN manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, RAN has not experienced losses in any of these accounts. Credit risk associated with grants, pledges and accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of RAN's mission.

(continued)

Notes to Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies *(continued)*

Receivables – Receivables consist primarily of amounts due from organizations and foundations. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Property and Equipment – RAN's policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. The cost of property and equipment greater than \$3,000 is capitalized. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities.

Costs of maintenance and repairs are expensed currently. RAN reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. RAN has determined that no long-lived assets were impaired during the years ended June 30, 2020 and 2019.

Donated Services and In-Kind Contributions – In-kind contributions are reflected at the fair value of the contribution received in accordance with *ASC 958.605.30-11*. The contributions of services, equipment, and other materials are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries, payroll taxes and benefits, rent, depreciation and utilities, and other overhead) have been allocated based on headcount. Certain expenses (such as contract services and legal services) have been allocated in accordance with the specific services received.

(continued)

Notes to Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies (*continued*)

Use of Estimates – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Investments – RAN follows the provisions of *ASC 958.320, Investments – Debt and Equity Securities for Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that RAN could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2020 and 2019. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). RAN groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

(continued)

Notes to Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements *(continued)* – In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Advertising Costs – Advertising costs are expensed as incurred. Advertising expenses amounted to \$339,600 and \$188,905 during the years ended June 30, 2020 and 2019, respectively.

Reclassifications – Certain prior year amounts have been reclassified to conform to fiscal year 2020 presentation. These changes had no impact on previously reported changes in net assets.

Revenue and Revenue Recognition - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Income Taxes – RAN is organized as California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. RAN is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. RAN is not required to file an Exempt Organization Business Income Tax Return (Form 990-T) because it had no unrelated business taxable income for the year ended June 30, 2020.

RAN has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that RAN continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

(continued)

Notes to Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies (*continued*)

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for any particular purpose (such as an operating reserve), but has not opted to do so as of June 30, 2020.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Recent and Relevant Accounting Pronouncements – In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. RAN has adopted ASU 2016-14.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) – Accounting for Leases*. The ASU increases transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. The ASU is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. RAN is currently assessing the impact that adoption of this ASU will have on its financial statements.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, RAN has incorporated these clarifying standards within the audited financial statements.

(continued)

Rainforest Action Network

Notes to Financial Statements June 30, 2020

3. Cash and Cash Equivalents

Cash and cash equivalents of \$5,338,367 and \$4,395,053 at June 30, 2020 and 2019, respectively, include all funds in banks and outside brokerage firms (checking, savings, and money market funds) with maturity dates of three months or less. At June 30, 2020, certain accounts exceeded the federally insured limit of \$250,000. Such financial instruments potentially subject RAN to concentrations of credit risk. It is the opinion of management that the solvencies of the referenced financial institution are satisfactorily strong and that RAN's financial position will not be compromised. RAN attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated. The composition of cash and cash equivalents is as follows at June 30:

	2020	2019
Checking (non-interest bearing)	\$ 3,411,374	\$ 3,483,248
Savings	-	331,038
Cash sweep	1,926,993	580,767
Total cash and cash equivalents	\$ 5,338,367	\$ 4,395,053

Funds in savings and cash sweep accounts bear interest at rates ranging from 0.01% to 0.05% per annum as of June 30, 2020.

4. Receivables

Grants, pledges and contributions receivable are as follows at June 30:

	2020	2019
Due in less than one year	\$ 901,989	\$ 1,634,268
Due in two to five years	120,000	500,000
Total	\$ 1,021,989	\$ 2,134,268

Other receivables of \$11,489 and \$4,703 at June 30, 2020 and 2019, respectively, are stated at the amount management expects to collect from outstanding balances. Management believes that all receivables are fully collectible due to the financial strength of the entities and therefore no provision for estimated losses has been made at June 30, 2020.

5. Investments and Fair Value Measurements

Investments consist of the following at June 30:

	June 30, 2020		June 30, 2019	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
Other fixed income securities	1,414,525	1,424,588	507,010	511,178
Total investments	\$ 3,414,525	\$ 3,424,588	\$ 507,010	\$ 511,178

(continued)

Rainforest Action Network

Notes to Financial Statements June 30, 2020

5. Investments and Fair Value Measurements *(continued)*

Net investment income (including interest earned on cash and cash equivalents) amounted to \$15,776 and \$8,890 for the years ended June 30, 2020 and 2019, respectively.

Composition of assets utilizing fair value measurements at June 30, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Certificates of deposit	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -
Other fixed income securities	1,424,588	-	-	1,424,588
	<u>\$ 3,424,588</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 1,424,588</u>

Composition of assets utilizing fair value measurements at June 30, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Other fixed income securities	\$ 511,178	\$ -	\$ -	\$ 511,178

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Furniture and fixtures	\$ 23,513	\$ 23,513
Leasehold improvements	45,696	45,696
Less: accumulated depreciation	(69,209)	(65,521)
Total property and equipment (net)	<u>\$ -</u>	<u>\$ 3,688</u>

Depreciation expense amounted to \$3,688 and \$7,376 for the years ended June 30, 2020 and 2019, respectively.

7. Liquidity

RAN regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. RAN has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and other sources (including the future collection of receivables).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, RAN considers all expenditures related to its ongoing activities of preserving forests, protecting the climate and upholding human rights as well as the conduct of services undertaken to support those activities to be general expenditures. Refer to the statement of cash flows which identifies the sources and uses RAN's cash and shows positive cash generated by operations for the year ended June 30, 2020.

(continued)

Rainforest Action Network

Notes to Financial Statements June 30, 2020

7. Liquidity *(continued)*

The following table shows the total financial assets held by RAN and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

	2020	2019
Cash and cash equivalents	\$ 5,338,367	\$ 4,395,053
Investments	3,424,588	511,178
Grants, pledges and contributions receivable, current portion	901,989	1,634,268
Other receivables	11,489	4,703
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(2,609,374)	(2,099,409)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,067,059</u>	<u>\$ 4,445,793</u>

On a monthly basis, the Finance Committee reviews RAN's financial position and is provided an update regarding the cash position to be maintained. RAN's Finance Committee has established a minimum cash reserve totaling 90 days of operating expenses. At June 30, 2020, RAN has financial assets available to cover approximately nine months of operating expenses based on the fiscal year 2021 budget of an average monthly expense of \$757,000.

8. Loan Payable to SBA Under Payroll Protection Program

During May 2020, RAN received \$770,000 in a forgivable loan under the Small Business Administration Paycheck Protection Program ("PPP"). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA's 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying entities can spend to cover payroll, interest, rent, and utilities.

RAN expended the funds (and continues to utilize the proceeds) for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. Management fully anticipates that it will satisfy the PPP's eligibility and loan forgiveness criteria, enabling the funds to be reclassified from a liability to contributed income.

Based on the guidance in *FASB ASC 405-20-40-1, Liabilities*, the proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and RAN has been "legally released" or (2) RAN pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, RAN is instructed to reduce the liability by the amount forgiven and record the forgiven loan as income.

Notes to Financial Statements
June 30, 2020

9. Forest Governance, Markets and Climate Grant

In May 2018, RAN received an award for the Forest Governance, Markets and Climate (“FGMC”) program through the UK Department of International Development (“DFID”). The grant’s term is May 1, 2018 through March 31, 2021. In accordance with the award provisions, RAN is required to report certain financial information related to the awards and meet certain programmatic requirements in order to receive cash disbursements from the grant. Based on the uncertainty of these requirements, RAN has treated the FGMC grant as a conditional contribution. During the years ended June 30, 2020 and 2019, FGMC program funds received amounted to \$775,521 (£614,629) and \$812,283 (£624,039), respectively, and were recorded as restricted contributions. FGMC program funds released from restriction amounted to \$693,605 (£544,564) and \$736,631 (£575,493) during the years ended June 30, 2020 and 2019, respectively. At June 30, 2020, \$130,578 in funds received from FGMC have been received but not expended. The remaining funds that have been committed but not yet disbursed to RAN amounted to approximately \$326,000 at June 30, 2020.

10. Related Party Transactions

During the year ended June 30, 2020, RAN’s executive director was also a board member of an organization to which RAN issued grants in the amount of \$75,000.

During the years ended June 30, 2020 and 2019, certain members of the Board of Directors remitted \$100,755 and \$156,985, respectively, in contributions to RAN. These amounts are reflected with individual contributions on the statement of activities and changes in net assets.

11. Leases

RAN rents its corporate office space in San Francisco, California under a four-year office lease expiring December 31, 2024. The lease stipulates a monthly rental payment of \$33,792 as of June 30, 2020, with annual increases of 3% and one month of free rent. RAN recognizes rent expense on a straight line basis. Additionally, RAN leases office equipment under separate rental agreements.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30, 2021	\$ 417,061
Year ending June 30, 2022	427,709
Year ending June 30, 2023	436,887
Year ending June 30, 2024	449,755
Year ending June 30, 2025	228,201

Total rent expense amounted to \$365,790 and \$293,488 for the years ended June 30, 2020 and 2019, respectively, and is included with rent, depreciation and utilities on the statement of functional expenses.

Rainforest Action Network

Notes to Financial Statements June 30, 2020

12. In-kind Contributions

During the years ended June 30, 2020 and 2019, RAN was the recipient of certain in-kind contributions which included event space and catering for its annual special event as well as digital advertising (Google Grants). These in-kind contributions have been valued by management at the time of donation. The estimated values of these contributions as reflected in the statement of activities and changes in net assets are summarized as follows for the years ended June 30:

	2020	2019
Special events	\$ 2,787	\$ 1,698
Advertising	450,019	303,049
	<u>\$ 452,806</u>	<u>\$ 304,747</u>

13. Net Assets with Donor Restrictions

RAN recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following at June 30:

Purpose	2020	2019
Climate program	\$ 310,000	\$ 701,768
Agribusiness campaign	942,078	597,623
Community Action Grants	1,194,218	324,495
Forest Finance campaign	130,578	48,662
Special events	32,500	112,500
General operations – time restricted	300,000	814,361
Totals	<u>\$ 2,909,374</u>	<u>2,599,409</u>

During the years ended June 30, 2020 and 2019, contributions to net assets with donor restrictions amounted to \$4,230,286 and \$3,622,003, respectively. During the years ended June 30, 2020 and 2019, RAN recognized \$3,920,321 and \$3,816,766, respectively, of revenue from net assets released from restriction. Such amounts are reflected on the statement of activities and changes in net assets as transfers from net assets with donor restrictions to net assets without donor restrictions.

14. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, RAN is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as an accrued liability based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to \$365,282 and \$302,127 at June 30, 2020 and 2019, respectively.

Notes to Financial Statements
June 30, 2020

15. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future funding agreements, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate RAN to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond RAN's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, including executive officers of the organization, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Certain of the grants and contracts (including current and prior costs) are subject to adjustment upon review and final acceptance by the granting agencies. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

16. Retirement Plan

RAN offers eligible employees the opportunity for participation in a salary reduction retirement plan qualified under provision of the Internal Revenue Code permitting Savings Incentive Match Plan for Employees of Small Employers (SIMPLE). An eligible employee may make an election to have their compensation for each pay period reduced, not to exceed the applicable amount per year. For each calendar year, RAN will contribute a matching contribution to each employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's annual salary. RAN contributed \$62,422 and \$62,651 for the years ended June 30, 2020 and 2019, respectively.

17. COVID-19

In late 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) which was characterized as a pandemic by the World Health Organization on March 11, 2020.

The novel coronavirus threat has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which RAN conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic.

Management is carefully monitoring the situation and evaluating its options during this time. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by RAN as a result of these events.

18. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, RAN has evaluated subsequent events through October 6, 2020, the date the financial statements were available to be issued. In the opinion of management, there are no subsequent events which need to be disclosed.