

**RAINFOREST
ACTION NETWORK**



**Rainforest
Action
Network**

Financial Statements

**For the year ended
June 30, 2021**

With Independent Auditors' Report Thereon

Rainforest Action Network

(A California Not-for-Profit Corporation)

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Rainforest Action Network
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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, 2021 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.

Auditors' 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 auditors' 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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Rainforest Action Network's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Danville, California
October 6, 2021

Regalia & Associates

Rainforest Action Network

Statements of Financial Position June 30, 2021 and 2020

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 5,206,555	\$ 5,338,367
Investments	3,460,413	3,424,588
Grants, pledges and contributions receivable	1,600,847	901,989
Other receivables	16,047	11,489
Prepaid expenses and other current assets	149,967	99,438
Total current assets	<u>10,433,829</u>	<u>9,775,871</u>
Noncurrent assets:		
Grants, pledges and contributions receivable, long-term (net)	304,443	120,000
Property and equipment, net	-	-
Deposits	40,540	42,852
Total noncurrent assets	<u>344,983</u>	<u>162,852</u>
	<u>\$ 10,778,812</u>	<u>\$ 9,938,723</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 216,955	\$ 156,197
Accrued payroll liabilities	376,272	365,282
Loan payable to SBA under payroll protection program	778,750	770,000
Other accrued liabilities	118,372	79,379
Deferred rent	55,179	42,949
Total current liabilities	<u>1,545,528</u>	<u>1,413,807</u>
Net assets:		
Without donor restrictions	6,678,491	5,615,542
With donor restrictions	2,554,793	2,909,374
Total net assets	<u>9,233,284</u>	<u>8,524,916</u>
	<u>\$ 10,778,812</u>	<u>\$ 9,938,723</u>

Rainforest Action Network

Statement of Activities and Changes in Net Assets Year Ended June 30, 2021

(with Summarized Financial Information for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<i>Changes in net assets:</i>				
Revenue and support:				
Individuals	\$ 1,751,658	\$ 131,702	\$ 1,883,360	\$ 3,286,975
Major gifts	2,244,167	312,550	2,556,717	2,879,843
Foundations	653,312	2,987,542	3,640,854	3,278,072
In-kind contributions	414,302	-	414,302	450,019
Other miscellaneous revenue	415	-	415	98,869
Total revenue and support	<u>5,063,854</u>	<u>3,431,794</u>	8,495,648	<u>9,993,778</u>
Special events:				
Special events income	206,911	-	206,911	324,137
Special events expense	(30,886)	-	(30,886)	(87,328)
Total special events	<u>176,025</u>	<u>-</u>	176,025	<u>236,809</u>
Investment returns:				
Investment income	39,708	-	39,708	15,776
Net assets released from restriction	3,786,375	(3,786,375)	-	-
Total revenue and support	<u>9,065,962</u>	<u>(354,581)</u>	8,711,381	<u>10,246,363</u>
Expenses:				
Program	6,778,117	-	6,778,117	6,205,401
Management and general	570,740	-	570,740	909,341
Fundraising	1,424,156	-	1,424,156	1,256,233
Total expenses	<u>8,773,013</u>	<u>-</u>	8,773,013	<u>8,370,975</u>
Increase (decrease) in net assets before gain on extinguishment of debt	292,949	(354,581)	(61,632)	1,875,388
Gain on extinguishment of debt	770,000	-	770,000	-
Increase (decrease) in net assets	<u>1,062,949</u>	<u>(354,581)</u>	708,368	<u>1,875,388</u>
Net assets at beginning of year	<u>5,615,542</u>	<u>2,909,374</u>	8,524,916	<u>6,649,528</u>
Net assets at end of year	\$ 6,678,491	\$ 2,554,793	\$ 9,233,284	\$ 8,524,916

Rainforest Action Network

Statements of Cash Flows Years ended June 30, 2021 and 2020

	2021	2020
<i>Operating activities:</i>		
Increase in net assets	\$ 708,368	\$ 1,875,388
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	-	3,688
Gain on extinguishment of debt	(770,000)	-
Changes in:		
Grants, pledges and contributions receivable	(883,301)	1,112,279
Other receivables	(4,558)	(6,786)
Prepaid expenses and other current assets	(50,529)	(50,674)
Deposits	2,312	(1,300)
Accounts payable	60,758	135,782
Accrued payroll liabilities	10,990	63,155
Other accrued liabilities	38,993	(74,600)
Deferred rent	12,230	29,792
	(874,737)	3,086,724
 <i>Investing activities:</i>		
Purchase of investments	(35,825)	(2,913,410)
	(35,825)	(2,913,410)
 <i>Financing activities:</i>		
Proceeds from SBA payroll protection program loan	778,750	770,000
	778,750	770,000
Net (decrease) increase in cash and cash equivalents	(131,812)	943,314
Cash and cash equivalents at beginning of year	5,338,367	4,395,053
Cash and cash equivalents at end of year	\$ 5,206,555	\$ 5,338,367
 <i>Additional cash flow information:</i>		
Interest paid	\$ -	\$ -
State registration taxes paid	\$ 150	\$ 150

Rainforest Action Network

Statement of Functional Expenses

Year Ended June 30, 2021

(with Summarized Financial Information for the Year Ended June 30, 2020)

	Program Services				Supporting Services		2021 Total	2020 Total
	Climate and Energy	Forests	Other	Total Program	Management and General	Fund- Raising		
Bank charges and fees	\$ 4	\$ 16	\$ -	\$ 20	\$ 23,050	\$ 82,527	\$ 105,597	\$ 127,535
Campaign supplies	12,375	2,077	20	14,472	-	-	14,472	14,889
Contract services	138,379	885,328	53,226	1,076,933	104,923	20,570	1,202,426	1,107,005
Digital campaign advertising	20,828	27,430	401	48,659	15	321,188	369,862	339,600
Direct mail	-	-	-	-	-	219,680	219,680	116,489
Employee development and training	6,160	9,634	4,287	20,081	5,347	9,745	35,173	22,364
Equipment leases	1,276	2,032	904	4,212	514	2,053	6,779	7,299
Equipment maintenance and repair	12	20	9	41	4	20	65	-
Grants to third parties	-	162,407	702,983	865,390	-	-	865,390	712,662
In-kind expenses - advertising	-	-	414,302	414,302	-	-	414,302	450,019
Insurance	4,558	7,258	3,230	15,046	1,836	7,335	24,217	22,744
Legal services	1,000	27,214	95	28,309	23,620	-	51,929	73,617
Meetings, conferences and conventions	1,521	9,115	268	10,904	184	21	11,109	26,083
Miscellaneous	1,634	5,752	15,233	22,619	2,159	3,827	28,605	15,071
Newsletters	14,713	16,249	440	31,402	-	2,094	33,496	4,489
Office supplies and equipment	8,243	13,314	5,561	27,118	3,167	12,691	42,976	23,547
Photography and videography	4,767	25,678	19	30,464	-	-	30,464	11,787
Postage and shipping	7,200	6,079	182	13,461	93	5,168	18,722	12,133
Printing and copying	16,595	4,809	83	21,487	-	3,022	24,509	26,418
Publications and subscriptions	15,961	46,007	1,685	63,653	9,895	12,822	86,370	79,533
Recruitment services	-	-	-	-	6,371	-	6,371	61,540
Rent, depreciation and utilities	89,084	141,816	63,110	294,010	35,869	143,331	473,210	382,415
Salaries, payroll taxes and benefits	1,541,873	1,557,514	506,975	3,606,362	326,945	533,781	4,467,088	4,420,910
Software leases	158	252	112	522	12,339	29,714	42,575	32,252
Taxes and related costs	82	130	58	270	9,964	132	10,366	13,062
Telecommunications	8,869	14,502	6,254	29,625	3,555	14,203	47,383	38,373
Travel	11,450	19,771	233	31,454	890	232	32,576	166,128
Volunteer and intern expenses	-	-	-	-	-	-	-	1,041
Website	21,459	85,200	642	107,301	-	-	107,301	61,970
	\$ 1,928,201	\$ 3,069,604	\$ 1,780,312	\$ 6,778,117	\$ 570,740	\$ 1,424,156	\$ 8,773,013	\$ 8,370,975

See accompanying auditors' report and notes to financial statements

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REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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. RAN’s primary campaigns are as follows:

Climate and Energy Campaign

RAN’s climate and energy campaign is focused on educating our community, mobilizing support and organizing efforts to convince the biggest banks and financial institutions in the world to stop worsening our climate change crisis. Climate change is the single biggest environmental threat facing our planet and the extraction, transportation and burning of fossil fuels is a major source of greenhouse gases. Climate change is causing significant negative impacts on the planet’s ecosystems, including forests, and creating extreme weather events. The worst impacts of climate change most greatly affect the communities least responsible for this crisis, and those least able to respond to this crisis. RAN works to strengthen the global movement to stop climate change by pressuring banks that are underwriting dangerous fossil fuel projects.

Forests Campaign

RAN’s forest team is focused on keeping forests intact and standing by supporting Indigenous rights, working with local communities, and pressuring corporations that are driving deforestation and worsening climate change. Any real solution to our climate crisis must involve the protection of forests, and protecting Indigenous rights has been proven to be one of the most effective ways to protect forests. RAN has been working with local communities for decades to stop profit driven industries – like the palm oil industry and the pulp and paper industry, for example – from destroying rainforests, violating human rights, land grabbing, and pushing species to extinction through the destruction of disappearing habitats. RAN educates our community, mobilizes support and organizes efforts to reduce market demand for environmentally and socially irresponsible products in order to transform global supply chains.

RAN is also focused on connecting the relationships between companies that are driving the crises of deforestation and human rights abuses and the financial institutions that underwrite these activities. By educating our community, mobilizing support and organizing efforts to raise awareness about the financial underpinnings of this crisis, RAN will hold financial institutions accountable for these practices and convince them to stop investing in companies engaged in deforestation, habitat destruction, species extinction, climate pollution and human rights violations.

Community Action Grants

RAN’s community action grants program is focused on strengthening the capacity of Indigenous and frontline communities and supporting grassroots leadership through direct grants to organizations that are working to save our planet. The community action grant program provides crucial and rapid funding for people fighting in their own communities across the globe to protect millions of acres of forest, to keep millions of tons of carbon in the ground, and to protect the rights and self-determination of local communities.

Notes to Financial Statements
June 30, 2021

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of RAN 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, 2020, 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 receivables 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.

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.

(continued)

Notes to Financial Statements
June 30, 2021

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

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, 2021 and 2020.

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 in accordance with *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires RAN to report expenses by their natural classification. 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, time, and effort using RAN's payroll allocations. Certain expenses (such as contract services and legal services) have been allocated in accordance with the specific services received.

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.

Reclassifications – Certain prior year amounts have been reclassified to conform to fiscal year 2021 presentation. These changes had no impact on previously reported changes in net assets.

(continued)

Notes to Financial Statements
June 30, 2021

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

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, 2021 and 2020. 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.

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.

Notes to Financial Statements
June 30, 2021

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

Advertising Costs – Advertising costs are expensed as incurred. Advertising expenses amounted to \$369,862 and \$339,600 during the years ended June 30, 2021 and 2020, respectively.

Revenue and Revenue Recognition – Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*.

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, 2021.

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.

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 without donor restrictions represent funds which are 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, 2021.

(continued)

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

Net Assets With Donor Restrictions

Net assets with donor restrictions represent funds which are 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 – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities – This update, adopted by RAN, 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.

ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern – This update requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of October 6, 2021 (the date of the Independent Auditors' Report), RAN's management has made this evaluation and has determined that RAN has the ability to continue as a going concern.

ASU 2016-02, Leases (Topic 842) – Accounting for Leases – This 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.

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.

Rainforest Action Network

Notes to Financial Statements June 30, 2021

3. Cash and Cash Equivalents

Cash and cash equivalents of \$5,206,555 and \$5,338,367 at June 30, 2021 and 2020, 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, 2021, 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:

	2021	2020
Checking (non-interest bearing)	\$ 3,204,152	\$ 3,411,374
Cash sweep	2,002,403	1,926,993
Total cash and cash equivalents	\$ 5,206,555	\$ 5,338,367

Funds in cash sweep accounts bear interest at rates ranging from 0.01% to 0.05% per annum as of June 30, 2021.

4. Receivables

Grants, pledges and contributions receivable consist of the following at June 30:

	2021	2020
Due in less than one year	\$ 1,600,847	\$ 901,989
Due in two to five years	304,443	120,000
Total	\$ 1,905,290	\$ 1,021,989

Other receivables of \$16,047 and \$11,489 at June 30, 2021 and 2020, 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, 2021.

5. Investments and Fair Value Measurements

Investments consist of the following at June 30:

	June 30, 2021		June 30, 2020	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 2,021,243	\$ 2,021,243	\$ 2,000,000	\$ 2,000,000
Other fixed income securities	1,435,169	1,439,170	1,414,525	1,424,588
Total investments	\$ 3,414,525	\$ 3,460,413	\$ 3,414,525	\$ 3,424,588

(continued)

Rainforest Action Network

Notes to Financial Statements June 30, 2021

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

Net investment income (including interest earned on cash and cash equivalents) amounted to \$39,708 and \$15,776 for the years ended June 30, 2021 and 2020, respectively.

Composition of assets utilizing fair value measurements at June 30, 2021 is as follows:

	Totals	Level 1	Level 2	Level 3
Certificates of deposit	\$ 2,021,243	\$ -	\$ 2,021,243	\$ -
Other fixed income securities	1,439,170	-	-	1,439,170
	\$ 3,460,413	\$ -	\$ 2,000,000	\$ 1,439,170

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
	\$ 3,424,588	\$ -	\$ 2,000,000	\$ 1,424,588

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2021	2020
Furniture and fixtures	\$ 23,513	\$ 23,513
Leasehold improvements	45,696	45,696
Less: accumulated depreciation	(69,209)	(69,209)
Total property and equipment (net)	\$ -	\$ -

Depreciation expense amounted \$3,688 for the year ended June 30, 2020. There was no depreciation expense for the year ended June 30, 2021 as property and equipment was fully depreciated.

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.

(continued)

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Notes to Financial Statements June 30, 2021

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:

	2021	2020
Cash and cash equivalents	\$ 5,206,555	\$ 5,338,367
Investments	3,460,413	3,424,588
Grants, pledges and contributions receivable, current portion	1,600,847	901,989
Other receivables	16,047	11,489
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(2,304,793)	(2,609,374)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,979,069</u>	<u>\$ 7,067,059</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, 2021, RAN has financial assets available to cover approximately ten months of operating expenses based on the fiscal year 2021 budget of an average monthly expense of approximately \$783,000.

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.

In December 2020, RAN applied for and received full forgiveness of the PPP loan and recorded the full amount of \$770,000 as gain on extinguishment of debt on the statement of activities.

In February 2021, RAN applied for and received a second draw PPP loan in the amount of \$778,750. 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 income. Based on the guidance in [FASB ASC 405-20-40-1, Liabilities](#), the proceeds from this second draw 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 will reduce the liability by the amount forgiven and record the forgiven loan as gain on extinguishment of debt. Subsequent to June 30, 2021, RAN applied for forgiveness for the second draw PPP loan in September 2021.

Notes to Financial Statements
June 30, 2021

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, 2021 and 2020, FGMC program funds received amounted to \$350,583 (£257,751) and \$775,521 (£614,629), respectively, and were recorded as restricted contributions. FGMC program funds released from restriction amounted to \$481,162 (£353,753) and \$693,605 (£544,564) during the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021, the grant has been closed and there are no amounts outstanding.

10. Related Party Transactions

During the years ended June 30, 2021 and 2020, RAN’s executive director was also a board member of an organization to which RAN issued grants in the amount of \$142,500 and \$75,000, respectively.

During the years ended June 30, 2021 and 2020, certain members of the Board of Directors remitted \$106,415 and \$100,755, 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 lease agreement expiring December 31, 2024. The lease stipulates a monthly rental payment of \$34,806 as of June 30, 2021, with annual increases of 3%. 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, 2022	\$	427,709
Year ending June 30, 2023		436,887
Year ending June 30, 2024		449,755
Year ending June 30, 2025		228,201

RAN also leases office space in various locations under separate month-to-month agreements. Total rent expense amounted to \$460,710 and \$365,790 for the years ended June 30, 2021 and 2020, respectively, and is included with rent, depreciation and utilities on the statement of functional expenses.

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Notes to Financial Statements June 30, 2021

12. In-kind Contributions

During the years ended June 30, 2021 and 2020, 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:

	2021	2020
Special events	\$ 150	\$ 2,787
Advertising	414,302	450,019
	\$ 414,452	\$ 452,809

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	2021	2020
Climate campaign	\$ 780,630	\$ 310,000
Forests campaign	663,470	942,078
Community Action Grants	860,693	1,194,218
Forest Finance campaign	-	130,578
Special events	-	32,500
General operations – time restricted	250,000	300,000
Totals	\$ 2,554,793	\$ 2,909,374

During the years ended June 30, 2021 and 2020, contributions to net assets with donor restrictions amounted to \$3,431,794 and \$4,230,286, respectively. During the years ended June 30, 2021 and 2020, RAN recognized \$3,786,375 and \$3,920,321, 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 \$376,272 and \$365,282 at June 30, 2021 and 2020, respectively.

15. Commitments and Contingencies

In the normal course of business, RAN could be subject to certain commitments and contingencies which might not be fully 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 \$69,635 and \$62,422 for the years ended June 30, 2021 and 2020, respectively.

17. COVID-19

Although the COVID-19 threat has abated, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which RAN conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management continues to monitor and evaluate its options. These financial statements do not contain any adjustments related to economic losses which may or may not be realized.

18. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, RAN has evaluated subsequent events through October 6, 2021, 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.