

**RAINFOREST
ACTION NETWORK**



**Rainforest
Action
Network**

Financial Statements

**For the year ended
June 30, 2022**

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**

Opinion

We have audited the accompanying financial statements of Rainforest Action Network (a nonprofit organization), which comprise the statement of financial position as June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rainforest Action Network 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rainforest Action Network's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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, including omissions, 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 financial statements.

INDEPENDENT AUDITOR'S REPORT

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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Rainforest Action Network'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rainforest Action Network'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 Information

We have previously audited Rainforest Action Network's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia & Associates

October 20, 2022
Danville, California

Rainforest Action Network

Statements of Financial Position June 30, 2022 and 2021

ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	\$ 8,682,418	\$ 5,206,555
Investments	3,475,114	3,460,413
Grants, pledges and contributions receivable	858,444	1,600,847
Other receivables	14,357	16,047
Prepaid expenses and other current assets	94,985	149,967
Total current assets	<u>13,125,318</u>	<u>10,433,829</u>
Noncurrent assets:		
Grants, pledges and contributions receivable, long-term (net)	-	304,443
Right of use asset - premises	814,411	1,149,837
Deposits	40,540	40,540
Total noncurrent assets	<u>854,951</u>	<u>1,494,820</u>
	<u>\$ 13,980,269</u>	<u>\$ 11,928,649</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 289,737	\$ 216,955
Accrued payroll liabilities	487,488	376,272
Loan payable to SBA under payroll protection program	-	778,750
Other accrued liabilities	181,951	118,372
Lease liability - current	288,585	264,741
Total current liabilities	<u>1,247,761</u>	<u>1,755,090</u>
Lease liability - noncurrent	651,690	940,275
Total liabilities	<u>1,899,451</u>	<u>2,695,365</u>
Net assets:		
Without donor restrictions	9,838,844	6,678,491
With donor restrictions	2,241,974	2,554,793
Total net assets	<u>12,080,818</u>	<u>9,233,284</u>
	<u>\$ 13,980,269</u>	<u>\$ 11,928,649</u>

Rainforest Action Network

Statement of Activities and Changes in Net Assets Year Ended June 30, 2022

(with Summarized Financial Information for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<i>Changes in net assets:</i>				
Revenue and support:				
Individuals	\$ 2,479,219	\$ 80,491	\$ 2,559,710	\$ 1,883,360
Major gifts	3,980,075	357,000	4,337,075	2,556,717
Foundations	575,000	3,156,070	3,731,070	3,640,854
Contributed nonfinancial assets	438,755	-	438,755	414,302
Other miscellaneous revenue	3,298	-	3,298	415
Total revenue and support	<u>7,476,347</u>	<u>3,593,561</u>	<u>11,069,908</u>	<u>8,495,648</u>
Special events:				
Special events income	240,711	20,000	260,711	206,911
Special events expense	(2,686)	-	(2,686)	(30,886)
Total special events	<u>238,025</u>	<u>20,000</u>	<u>258,025</u>	<u>176,025</u>
Investment returns:				
Investment income	15,065	-	15,065	39,708
Net assets released from restriction	3,926,380	(3,926,380)	-	-
Total revenue and support	<u>11,655,817</u>	<u>(312,819)</u>	<u>11,342,998</u>	<u>8,711,381</u>
Expenses:				
Program	7,180,779	-	7,180,779	6,778,117
Management and general	767,397	-	767,397	570,740
Fundraising	1,326,038	-	1,326,038	1,424,156
Total expenses	<u>9,274,214</u>	<u>-</u>	<u>9,274,214</u>	<u>8,773,013</u>
Increase (decrease) in net assets before gain on extinguishment of debt	2,381,603	(312,819)	2,068,784	(61,632)
Gain on extinguishment of debt	778,750	-	778,750	770,000
Increase (decrease) in net assets	<u>3,160,353</u>	<u>(312,819)</u>	<u>2,847,534</u>	<u>708,368</u>
Net assets at beginning of year	<u>6,678,491</u>	<u>2,554,793</u>	<u>9,233,284</u>	<u>8,524,916</u>
Net assets at end of year	<u>\$ 9,838,844</u>	<u>\$ 2,241,974</u>	<u>\$12,080,818</u>	<u>\$ 9,233,284</u>

Rainforest Action Network

Statements of Cash Flows Years ended June 30, 2022 and 2021

	2022	2021
<i>Operating activities:</i>		
Increase in net assets	\$ 2,847,534	\$ 708,368
Adjustments to reconcile to cash provided by operating activities:		
Gain on extinguishment of debt	(778,750)	(770,000)
Changes in:		
Grants, pledges and contributions receivable	1,046,846	(883,301)
Other receivables	1,690	(4,558)
Prepaid expenses and other current assets	54,982	(50,529)
Right of use asset - premises	335,426	-
Deposits	-	2,312
Accounts payable	72,782	60,758
Accrued payroll liabilities	111,216	10,990
Other accrued liabilities	63,579	38,993
Deferred rent	-	12,230
	3,755,305	(874,737)
<i>Investing activities:</i>		
Purchase of investments	(14,701)	(35,825)
	(14,701)	(35,825)
<i>Financing activities:</i>		
Proceeds from SBA payroll protection program loan	-	778,750
Principal payments applied to lease liability	(264,741)	-
	(264,741)	778,750
Net increase (decrease) in cash and cash equivalents	3,475,863	(131,812)
Cash and cash equivalents at beginning of year	5,206,555	5,338,367
Cash and cash equivalents at end of year	\$ 8,682,418	\$ 5,206,555
<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, 2022

(with Summarized Financial Information for the Year Ended June 30, 2021)

	Program Services				Supporting Services		2022 Total	2021 Total
	Climate and Energy	Forests	Other	Total Program	Management and General	Fund- Raising		
Bank charges and transaction fees	\$ 31	\$ 43	\$ 28	\$ 102	\$ 23,737	\$ 69,478	\$ 93,317	\$ 105,597
Campaign supplies	7,605	19,268	3,244	30,117	-	-	30,117	14,472
Contract services	193,464	964,102	182,984	1,340,550	175,469	81,018	1,597,037	1,202,426
Digital campaign advertising	47,962	79,264	35,671	162,897	-	304,784	467,681	369,862
Direct mail	-	-	-	-	-	271,292	271,292	219,680
Employee development and training	3,082	3,996	8,644	15,722	21,067	1,268	38,057	35,173
Equipment leases	1,159	1,458	1,022	3,639	374	512	4,525	6,779
Equipment maintenance and repair	20	26	18	64	7	9	80	65
Grants to third parties	-	30,800	476,500	507,300	-	-	507,300	865,390
In-kind expenses - advertising	-	-	437,735	437,735	-	1,020	438,755	414,302
Insurance	6,200	7,797	5,463	19,460	2,001	2,736	24,197	24,217
Legal services	500	45,795	-	46,295	79,993	-	126,288	51,929
Meetings, conferences and conventions	10,657	15,443	3,499	29,599	726	1,634	31,959	11,109
Miscellaneous	2,830	2,257	853	5,940	6,475	-	12,415	28,605
Newsletters	323	574	346	1,243	-	11,185	12,428	33,496
Office supplies and equipment	15,197	19,800	13,286	48,283	4,491	7,608	60,382	42,976
Photography and videography	2,910	15,254	1,471	19,635	-	-	19,635	30,464
Postage and shipping	3,258	3,329	723	7,310	461	13,354	21,125	18,722
Printing and copying	7,981	3,862	1,169	13,012	25	972	14,009	24,509
Publications and subscriptions	-	3,800	-	3,800	8,453	6,055	18,308	86,370
Recruitment services	-	-	-	-	21,935	-	21,935	6,371
Rent, depreciation and utilities	115,651	145,450	101,909	363,010	37,306	51,045	451,361	473,210
Salaries, payroll taxes and benefits	1,260,439	1,549,857	985,959	3,796,255	351,211	451,305	4,598,771	4,467,088
Software and online platforms	9,326	43,676	8,810	61,812	15,284	32,965	110,061	42,575
Taxes, fees and related costs	130	164	115	409	1,526	57	1,992	10,366
Telecommunications	10,750	14,169	9,452	34,371	3,446	4,715	42,532	47,383
Travel	29,077	92,213	13,508	134,798	13,410	13,026	161,234	32,576
Website	22,572	50,629	24,220	97,421	-	-	97,421	107,301
	\$ 1,751,124	\$ 3,113,026	\$ 2,316,629	\$ 7,180,779	\$ 767,397	\$ 1,326,038	\$ 9,274,214	\$ 8,773,013

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, 2022

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, 2021, 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.

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 2022 presentation. These changes had no impact on previously reported changes in net assets.

Notes to Financial Statements
June 30, 2022

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, 2022 and 2021.

Donated Services and In-Kind Contributions – In-kind contributions are reflected at the fair value of the contribution received in accordance with *ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. 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. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. 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.

Notes to Financial Statements
June 30, 2022

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, 2022 and 2021. 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, 2022

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

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. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2022, contributions approximating \$344,500 have not been recognized in the accompanying statement of activities and changes in net assets because the conditions on which they depend (specified activities, benchmarks, and timelines) have not yet been met.

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 years ended June 30, 2022 and 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.

Advertising Costs – Advertising costs are expensed as incurred. Advertising expenses amounted to \$467,681 and \$369,862 during the years ended June 30, 2022 and 2021, respectively.

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, 2022.

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 such 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 20, 2022 (the date of the Independent Auditors' Report), 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 RAN has elected early implementation. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets.

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.

Notes to Financial Statements
June 30, 2022

3. Cash and Cash Equivalents

Cash and cash equivalents of \$8,682,418 and \$5,206,555 at June 30, 2022 and 2021, 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, 2022, 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:

	2022	2021
Checking (non-interest bearing)	\$ 6,624,757	\$ 3,204,152
Cash sweep	2,057,661	2,002,403
Total cash and cash equivalents	\$ 8,682,418	\$ 5,206,555

Funds in cash sweep accounts bear interest at rates ranging from 0.01% to 0.05% per annum as of June 30, 2022.

4. Receivables

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

	2022	2021
Due in less than one year	\$ 858,444	\$ 1,600,847
Due in two to five years	-	304,443
Total	\$ 858,444	\$ 1,905,290

Other receivables of \$14,357 and \$16,047 at June 30, 2022 and 2021, 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, 2022 and 2021.

5. 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.

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Notes to Financial Statements June 30, 2022

5. 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:

	2022	2021
Cash and cash equivalents	\$ 8,682,418	\$ 5,206,555
Investments	3,475,114	3,460,413
Grants, pledges and contributions receivable, current portion	858,444	1,600,847
Other receivables	14,357	16,047
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(1,941,974)	(2,304,793)
Financial assets available to meet general expenditures over the next twelve months	\$ 11,088,359	\$ 7,979,069

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, 2022, RAN has financial assets available to cover approximately eleven months of operating expenses based on the fiscal year 2023 budget of an average monthly expense of approximately \$983,000.

6. Investments and Fair Value Measurements

Investments consist of the following at June 30:

	June 30, 2022		June 30, 2021	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 2,029,595	\$ 2,029,595	\$ 2,021,243	\$ 2,021,243
Other fixed income securities	1,442,293	1,445,519	1,435,169	1,439,170
Total investments	\$ 3,471,888	\$ 3,475,114	\$ 3,456,412	\$ 3,460,413

Net investment income (including interest earned on cash and cash equivalents) amounted to \$15,065 and \$39,708 for the years ended June 30, 2022 and 2021, respectively.

Composition of assets utilizing fair value measurements at June 30, 2022 is as follows:

	Totals	Level 1	Level 2	Level 3
Certificates of deposit	\$ 2,029,595	\$ -	\$ 2,029,595	\$ -
Other fixed income securities	1,445,519	-	-	1,445,519
	\$ 3,475,114	\$ -	\$ 2,029,595	\$ 1,445,519

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Notes to Financial Statements June 30, 2022

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

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
	<u>\$ 3,460,413</u>	<u>\$ -</u>	<u>\$ 2,021,243</u>	<u>\$ 1,439,170</u>

7. 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 February 2021, RAN received a second draw PPP loan in the amount of \$778,750. Both loans were fully forgiven and recorded as a gain on extinguishment of debt on the statement of activities and changes in net assets.

8. Related Party Transactions

During the years ended June 30, 2022 and 2021, RAN's executive director was also a board member of an organization to which RAN issued grants in the amount of \$78,000 and \$142,500, respectively.

During the years ended June 30, 2022 and 2021, certain members of the Board of Directors remitted \$35,000 and \$106,415, respectively, in contributions to RAN. These amounts are reflected with individual contributions on the statement of activities and changes in net assets.

9. 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 \$35,850 as of June 30, 2022, with annual increases of 3% every January 1st. However, RAN negotiated a reduced monthly rental payment of \$18,149 for the period from January 1, 2022 through December 31, 2022. Effective January 1, 2023, RAN will resume paying the full amount due pursuant to the lease in the amount of \$36,926. RAN also leases office equipment under separate rental agreements.

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Notes to Financial Statements June 30, 2022

9. Leases (continued)

In accordance with *ASU 2016-02, Leases*, RAN is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and a corresponding lease liability. Accordingly, RAN has recorded a total lease liability in the amount of \$940,275 and \$1,205,016 at June 30, 2022 and 2021, respectively, for its office space (split between the current amount of \$288,585 and noncurrent amount of \$651,690 at June 30, 2022) and a corresponding right of use asset for the premises in the amount of \$814,411 and \$1,149,837 at June 30, 2022 and 2021, respectively. The weighted average discount rate associated with the calculation of the present value of the future lease payments was 5.0%, which represents an estimate of RAN's incremental borrowing rate.

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

Year ending June 30, 2023	\$	330,451
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 \$429,885 and \$460,710 for the years ended June 30, 2022 and 2021, respectively, and is included with rent, depreciation and utilities on the statement of functional expenses.

10. Contributed Nonfinancial Assets

RAN received the following contributions of nonfinancial assets during the years ending June 30:

	2022	2021
Advertising	\$ 437,735	\$ 414,152
Special event goods	1,020	150
Total contributed nonfinancial assets	<u>\$ 438,755</u>	<u>\$ 414,302</u>

From time to time, RAN receives contributions of various goods for its annual fundraiser event. These items are immediately placed in service for the event. RAN values the contributed goods at prices that would be received for selling similar products. None of the contributed goods had donor-imposed restrictions.

Contributed services, such as advertising, are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. During the years ended June 30, 2022 and 2021, RAN received contributed advertising. These contributed services are reported in the financial statements at the estimated fair value based on current rates for similar services. None of the contributed services had donor-imposed restrictions.

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Notes to Financial Statements June 30, 2022

11. 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	2022	2021
Climate campaign	\$ 461,860	\$ 780,630
Forests campaign	519,580	663,470
Community Action Grants	940,534	860,693
Special events	20,000	-
General operations – time restricted	300,000	250,000
Totals	<u>\$ 2,241,974</u>	<u>\$ 2,554,793</u>

During the years ended June 30, 2022 and 2021, contributions to net assets with donor restrictions amounted to \$3,613,561 and \$3,431,794, respectively. During the years ended June 30, 2022 and 2021, RAN recognized \$3,926,380 and \$3,786,375, 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.

12. 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 \$487,488 and \$376,272 at June 30, 2022 and 2021, respectively.

13. 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.

Notes to Financial Statements
June 30, 2022

14. 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 \$80,659 and \$69,635 for the years ended June 30, 2022 and 2021, respectively.

15. 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 reflect certain economic ramifications which impacted the years ended June 30, 2022 and 2021.

16. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, RAN has evaluated subsequent events through October 20, 2022, 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.