

**RAINFOREST
ACTION NETWORK**



**Rainforest
Action
Network**

Financial Statements

**For the Year Ended
June 30, 2024**

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, 2024, 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, 2024, 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.

INDEPENDENT AUDITOR'S REPORT

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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.

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, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 10, 2024
Danville, California

Regalia & Associates

Rainforest Action Network

Statements of Financial Position June 30, 2024 and 2023

ASSETS

	2024	2023
Current assets:		
Cash and cash equivalents	\$ 8,880,297	\$ 8,822,738
Investments	2,163,795	1,977,762
Grants, pledges and contributions receivable	2,018,920	2,634,711
Other receivables	17,865	1,164
Prepaid expenses and other current assets	96,215	176,286
Total current assets	<u>13,177,092</u>	<u>13,612,661</u>
Noncurrent assets:		
Grants, pledges and contributions receivable, long-term (net)	864,963	1,257,117
Right of use asset - premises	173,218	503,259
Property and equipment, net	-	5,081
Deposits	40,909	40,909
Total noncurrent assets	<u>1,079,090</u>	<u>1,806,366</u>
	<u>\$ 14,256,182</u>	<u>\$ 15,419,027</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 173,418	\$ 287,425
Accrued payroll liabilities	526,284	563,156
Other accrued liabilities	30,072	108,325
Lease liability - current	224,910	426,779
Total current liabilities	<u>954,684</u>	<u>1,385,685</u>
Lease liability - noncurrent	-	224,910
Total liabilities	<u>954,684</u>	<u>1,610,595</u>
Net assets:		
Without donor restrictions	9,055,364	9,200,963
With donor restrictions	4,246,134	4,607,469
Total net assets	<u>13,301,498</u>	<u>13,808,432</u>
	<u>\$ 14,256,182</u>	<u>\$ 15,419,027</u>

Rainforest Action Network

Statement of Activities and Changes in Net Assets Year Ended June 30, 2024

(with Summarized Financial Information for the Year Ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
<i>Changes in net assets:</i>				
Revenue and support:				
Individuals	\$ 1,942,295	\$ 37,495	\$ 1,979,790	\$ 2,232,888
Major gifts	3,878,083	105,000	3,983,083	2,678,642
Foundations	768,885	4,472,636	5,241,521	7,668,193
Contributed nonfinancial assets	351,689	-	351,689	414,390
Other miscellaneous revenue	5,232	-	5,232	6,964
Change in unamortized discount	-	(26,154)	(26,154)	(158,883)
Net assets released from restriction	4,950,312	(4,950,312)	-	-
Total revenue and support	11,896,496	(361,335)	11,535,161	12,842,194
Special events:				
Special events income	215,337	-	215,337	192,000
Special events expense	(67,282)	-	(67,282)	(9,568)
Total special events	148,055	-	148,055	182,432
Investment returns:				
Investment income	208,719	-	208,719	135,553
Total investment returns	208,719	-	208,719	135,553
Total revenue and support	12,253,270	(361,335)	11,891,935	13,160,179
Expenses:				
Program	10,180,380	-	10,180,380	9,247,756
Management and general	877,745	-	877,745	745,420
Fundraising	1,340,744	-	1,340,744	1,439,389
Total expenses	12,398,869	-	12,398,869	11,432,565
(Decrease) increase in net assets	(145,599)	(361,335)	(506,934)	1,727,614
Net assets at beginning of year	9,200,963	4,607,469	13,808,432	12,080,818
Net assets at end of year	\$ 9,055,364	\$ 4,246,134	\$ 13,301,498	\$13,808,432

Rainforest Action Network

Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
<i>Operating activities:</i>		
(Decrease) increase in net assets	\$ (506,934)	\$ 1,727,614
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	5,081	1,380
Change in unamortized discount	26,154	158,883
Changes in:		
Grants, pledges and contributions receivable	981,791	(3,192,267)
Other receivables	(16,701)	13,193
Prepaid expenses and other current assets	80,071	(81,301)
Operating lease assets and liabilities	(96,738)	22,566
Deposits	-	(369)
Accounts payable	(114,007)	(2,312)
Accrued payroll liabilities	(36,872)	75,668
Other accrued liabilities	(78,253)	(73,626)
	243,592	(1,350,571)
<i>Investing activities:</i>		
Proceeds from disposition of investments	1,967,417	2,032,821
Acquisition of investments	(2,153,450)	(535,469)
Acquisition of property and equipment	-	(6,461)
	(186,033)	1,490,891
Net increase in cash and cash equivalents	57,559	140,320
Cash and cash equivalents at beginning of year	8,822,738	8,682,418
Cash and cash equivalents at end of year	\$ 8,880,297	\$ 8,822,738
<i>Additional cash flow information:</i>		
Interest paid	\$ -	\$ -
State registration taxes paid	\$ 400	\$ 400

Rainforest Action Network

Statement of Functional Expenses

Year Ended June 30, 2024

(with Summarized Financial Information for the Year Ended June 30, 2023)

	Program Services				Supporting Services		2024 Total	2023 Total
	Climate and Energy	Forests and Finance	Other	Total Program	Management and General	Fund- Raising		
Bank charges and transaction fees	\$ -	\$ -	\$ -	\$ -	\$ 45,166	\$ 26,466	\$ 71,632	\$ 85,165
Campaign supplies	6,206	26,443	1,531	34,180	-	-	34,180	27,594
Contract services	341,678	1,590,455	174,086	2,106,219	236,112	42,737	2,385,068	2,006,104
Digital campaign advertising	84,943	59,104	25,354	169,401	-	214,148	383,549	341,547
Direct mail	-	-	-	-	-	240,747	240,747	241,489
Employee development and training	8,432	13,971	5,855	28,258	1,921	3,452	33,631	17,970
Equipment maintenance and repair	8	15	6	29	2	3	34	-
Grants to third parties	4,000	119,225	507,080	630,305	-	-	630,305	663,959
In-kind expenses - advertising	92,636	179,818	79,235	351,689	-	-	351,689	414,390
Insurance	6,626	11,971	5,017	23,614	1,510	2,448	27,572	27,417
Legal services	7,630	57,161	2,455	67,246	7,141	2	74,389	62,808
Meetings, conferences and conventions	48,462	137,492	32,371	218,325	15,911	16,985	251,221	210,667
Miscellaneous	988	4,004	16,065	21,057	5,641	330	27,028	36,160
Newsletters	4,273	8,293	3,654	16,220	-	1,803	18,023	-
Office supplies and equipment	12,731	28,453	9,530	50,714	3,395	5,703	59,812	48,713
Photography and videography	7,767	66,948	1,072	75,787	-	-	75,787	23,522
Postage and shipping	1,558	1,612	284	3,454	306	15,919	19,679	25,360
Printing and copying	4,491	7,807	644	12,942	296	3,949	17,187	19,687
Publications and subscriptions	7	3,596	5	3,608	5,075	9,142	17,825	16,870
Recruitment services	-	-	-	-	23,908	-	23,908	9,603
Rent, depreciation and utilities	103,958	187,794	78,697	370,449	23,683	38,403	432,535	470,141
Salaries, payroll taxes and benefits	1,736,291	2,273,314	1,271,847	5,281,452	395,410	668,467	6,345,329	5,842,565
Software and online platforms	71,565	28,659	8,676	108,900	18,062	30,087	157,049	139,604
Taxes, fees and related costs	95	172	72	339	16,534	35	16,908	14,556
Telecommunications	12,553	23,583	9,455	45,591	2,832	4,709	53,132	56,304
Travel	99,174	303,505	38,812	441,491	74,840	15,209	531,540	568,676
Website	25,499	71,800	21,811	119,110	-	-	119,110	61,694
	\$ 2,681,571	\$ 5,205,195	\$ 2,293,614	\$ 10,180,380	\$ 877,745	\$ 1,340,744	\$ 12,398,869	\$ 11,432,565

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, 2024

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, 2023, 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.

Advertising Costs – Advertising costs are expensed as incurred. Advertising expenses amounted to \$383,549 and \$341,547 during the years ended June 30, 2024 and 2023, respectively.

Reclassifications – Certain prior year amounts have been reclassified to conform to fiscal year 2024 presentation. These changes had no impact on previously reported changes in net assets.

Notes to Financial Statements
June 30, 2024

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, 2024 and 2023.

Contributed Nonfinancial Assets – 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 certain contract services and legal services) have been allocated in accordance with the specific services received.

Notes to Financial Statements
June 30, 2024

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, 2024 and 2023. 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.

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.

Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. Special events revenue is recognized as the fair value of the direct benefits to the donors when the event takes place. The contribution element of special event revenue is recognized when received.

Conditional promises to give are not recognized until the conditions on which they depend have been substantially 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, 2024 and 2023.

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, 2024 or 2023.

Notes to Financial Statements
June 30, 2024

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 10, 2024 (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. This 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.

Rainforest Action Network

Notes to Financial Statements June 30, 2024

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

Recent and Relevant Accounting Pronouncements *(continued)* – ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that an organization present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The Update also requires certain enhanced disclosures for contributed nonfinancial assets.

3. Cash and Cash Equivalents

Cash and cash equivalents of \$8,880,297 and \$8,822,738 at June 30, 2024 and 2023, 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 time of purchase. At June 30, 2024, 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:

	2024	2023
Checking and demand deposits (non-interest bearing)	\$ 1,170,193	\$ 2,442,211
Cash sweep (interest-bearing)	6,813,130	6,127,449
Money market (interest-bearing)	896,974	253,078
Total cash and cash equivalents	\$ 8,880,297	\$ 8,822,738

Funds in interest-bearing accounts bear interest at rates ranging from 0.45% to 4.50% per annum as of June 30, 2024.

4. Receivables

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

	2024	2023
Due in less than one year	\$ 2,018,920	\$ 2,634,711
Due in two to five years	1,050,000	1,416,000
Less: Unamortized discount	(185,037)	(158,883)
Subtotal	2,883,883	3,891,828
Total current	(2,018,920)	(2,634,711)
Total noncurrent (net)	\$ 864,963	\$ 1,257,117

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Notes to Financial Statements June 30, 2024

4. Receivables *(continued)*

Grants, pledges, and contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 3.90% to 4.71%. The change in the unamortized discount during the years ended June 30, 2024 and 2023 amounted to (\$26,154) and (\$158,883), respectively, and is reflected as a component of income impacting net assets with donor restrictions on the statement of activities and changes in net assets.

Other receivables of \$17,865 and \$1,164 at June 30, 2024 and 2023, 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, 2024 and 2023.

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.

The following table shows the total financial assets held by RAN and the amounts of those financial assets readily available to meet general expenditures:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 8,880,297	\$ 8,822,738
Investments	2,163,795	1,977,762
Grants, pledges and contributions receivable, current portion	2,018,920	2,634,711
Other receivables	17,865	1,164
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	<u>(2,431,171)</u>	<u>(2,666,352)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,649,706</u>	<u>\$ 10,770,023</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, 2024, RAN has financial assets available to cover over nine months of operating expenses based on the fiscal year 2024 budget with an average monthly expense of approximately \$1,167,000.

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6. Investments and Fair Value Measurements

Investments consist of the following at June 30:

	June 30, 2024		June 30, 2023	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 2,153,670	\$ 2,153,670	\$ 511,296	\$ 511,296
Other fixed income securities	-	-	1,448,114	1,456,120
Stocks	10,245	10,125	10,346	10,346
Total investments	\$ 2,163,915	\$ 2,163,795	\$ 1,969,756	\$ 1,977,762

Net investment income (including interest earned on cash and cash equivalents) amounted to \$208,719 and \$135,553 for the years ended June 30, 2024 and 2023, respectively.

Composition of assets utilizing fair value measurements at June 30, 2024 is as follows:

	Totals	Level 1	Level 2	Level 3
Certificates of deposit	\$ 2,153,670	\$ -	\$ 2,153,670	\$ -
Stocks	10,125	10,125	-	-
Total	\$ 2,163,795	\$ 10,125	\$ 2,153,670	\$ -

Composition of assets utilizing fair value measurements at June 30, 2023 is as follows:

	Totals	Level 1	Level 2	Level 3
Certificates of deposit	\$ 511,296	\$ -	\$ 511,296	\$ -
Other fixed income securities	1,456,120	-	-	1,456,120
Stocks	10,346	10,346	-	-
Total	\$ 1,977,762	\$ 10,346	\$ 511,296	\$ 1,456,120

7. Property and Equipment

Property and equipment consist of the following at June 30:

	2024	2023
Furniture and fixtures	\$ 29,974	\$ 29,974
Leasehold improvements	45,696	45,696
Less: accumulated depreciation	(75,670)	(70,589)
Total property and equipment (net)	\$ -	\$ 5,081

Depreciation expense amounted to \$5,081 and \$1,380 for the years ended June 30, 2024 and 2023, respectively.

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8. Related Party Transactions

During the years ended June 30, 2024 and 2023, RAN's executive director was a board member of an organization to which RAN issued grants in the amount of \$52,000 and \$52,500, respectively. During the years ended June 30, 2024 and 2023, RAN also issued grants of \$86,500 and \$46,000, respectively, to an organization whose executive director became a board member of RAN during 2023.

During the years ended June 30, 2024 and 2023, certain members of the Board of Directors remitted \$131,440 and \$42,035, 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 \$38,033 as of June 30, 2024 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 resumed paying the full amount due under to the lease. Pursuant to the lease, RAN is also responsible for a prorated portion of building utilities and janitorial expenses.

In accordance with *ASU 2016-02, Leases*, RAN has reflected the present value of all future operating lease payments as an "Operating Right of Use" asset and a corresponding operating lease liability. The weighted-average discount rate is based on the discount rate implicit in the lease. RAN has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. RAN has applied the risk-free rate option to all classes of assets.

RAN has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on the straight-line basis.

RAN has recorded a total operating lease liability in the amount of \$224,910 and \$651,689 at June 30, 2024 and 2023, respectively, for its office space and a corresponding operating right of use asset for the premises in the amount of \$173,218 and \$503,259 at June 30, 2024 and 2023, respectively. Total operating lease cost for the years ended June 30, 2024 and 2023 amounted to \$449,755 and 330,451, respectively. RAN had no finance leases in effect during either of the years ended June 30, 2024 or 2023.

Supplemental cash flow information for the years ended June 30, 2024 and 2023 is summarized as follows:

	2023	2022
Operating cash flows from operating leases	\$ 449,755	\$ 330,451
Right of use assets obtained in exchange for lease liabilities – operating leases	\$ -	\$ -

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9. Leases *(continued)*

The following table represents the weighted-average remaining lease term and discount rate for the operating lease as of June 30:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term (in months)	6	18
Weighted-average discount rate	5.0%	5.0%

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

Year ending June 30, 2025	\$	228,201
Less interest		(3,291)
Present value of lease liabilities	\$	224,910

RAN also leases office space in various locations under separate month-to-month agreements. Total rent expense amounted to \$370,105 and \$395,383 for the years ended June 30, 2024 and 2023, respectively, and is included with rent, depreciation, and utilities on the statement of functional expenses.

10. Contributed Nonfinancial Assets

RAN received contributed advertising valued at \$351,689 and \$414,390, respectively, during the years ended June 30, 2024 and 2023. Contributed services, such as advertising, are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or if they require specialized skills that would need to be purchased if they were not donated. 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 advertising had donor-imposed restrictions.

11. 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 \$93,065 and \$158,254 for the years ended June 30, 2024 and 2023, respectively.

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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. Total accrued payroll liabilities amounted to \$526,284 and \$563,156 at June 30, 2024 and 2023, respectively.

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	2024	2023
Climate campaign	\$ 126,000	\$ 267,949
Forests campaign	1,312,920	1,643,800
Community Action Grants	492,251	754,603
Forest finance	500,000	-
General operations – time restricted	2,000,000	2,100,000
Unamortized discount	(185,037)	(158,883)
Totals	\$ 4,246,134	\$ 4,607,469

During the years ended June 30, 2024 and 2023, contributions to net assets with donor restrictions amounted to \$4,615,131 and \$5,851,613, respectively. During the years ended June 30, 2024 and 2023, RAN recognized \$4,950,312 and \$3,327,235, 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. 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.

15. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, RAN has evaluated subsequent events through October 10, 2024, the date the financial statements were available to be issued. In the opinion of management, there are no subsequent events which necessitate disclosure.