



*Rainforest Trust*

Financial Statements  
and  
Independent Auditor's Report

December 31, 2022



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## Independent Auditor's Report

To the Board of Directors  
Rainforest Trust  
Vint Hill, Virginia

### Opinion

We have audited the accompanying financial statements of Rainforest Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, 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 Trust as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rainforest Trust 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 Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Trust'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 Trust'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.

*Sikich LLP*

Alexandria, Virginia  
May 19, 2023

**Rainforest Trust**  
**Statement of Financial Position**  
**December 31, 2022**

**Assets**

Current assets:

Cash and cash equivalents	\$ 103,923,764
Contributions receivable, net	1,860,568
Notes receivable	247
Investments	28,513
Prepaid expenses	<u>154,278</u>

Total current assets 105,967,370

Contributions receivable, non-current	1,791,961
Investments, Sustainability Fund	1,558,542
Property and equipment, net	170,187
Right-of-use asset for operating lease, net	53,923
Right-of-use asset for financing lease, net	<u>8,264</u>

Total assets \$ 109,550,247

**Liabilities and Net Assets**

Current liabilities:

Accounts payable and accrued expenses	\$ 333,349
Lease liability for operating lease	54,720
Lease liability for financing lease	<u>4,423</u>

Total current liabilities 392,492

Lease liability for financing lease, non-current 3,715

Total liabilities 396,207

Net assets:

Without donor restrictions	5,558,007
With donor restrictions	<u>103,596,033</u>

Total net assets 109,154,040

Total liabilities and net assets \$ 109,550,247

**Rainforest Trust**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

	Without donor restrictions	With donor restrictions	Total
Revenues:			
Contributions	\$ 3,393,307	\$ 35,687,136	\$ 39,080,443
Investment income, net	800,133	(355,429)	444,704
In-kind contributions	26,400	-	26,400
Other income	272	-	272
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>29,904,627</u>	<u>(29,904,627)</u>	<u>-</u>
Total revenues	<u>34,124,739</u>	<u>5,427,080</u>	<u>39,551,819</u>
Expenses:			
Program services:			
World Land and Biodiversity Conservation	<u>29,119,349</u>	<u>-</u>	<u>29,119,349</u>
Support services:			
Fundraising	1,938,880	-	1,938,880
General and administrative	<u>677,241</u>	<u>-</u>	<u>677,241</u>
Total support services	<u>2,616,121</u>	<u>-</u>	<u>2,616,121</u>
Total expenses	<u>31,735,470</u>	<u>-</u>	<u>31,735,470</u>
Change in net assets	2,389,269	5,427,080	7,816,349
Net assets, beginning of year	<u>3,168,738</u>	<u>98,168,953</u>	<u>101,337,691</u>
Net assets, end of year	<u>\$ 5,558,007</u>	<u>\$ 103,596,033</u>	<u>\$ 109,154,040</u>

See accompanying notes to the financial statements.

**Rainforest Trust**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2022**

	World Land and Biodiversity Conservation	Fundraising	General and administrative	Total support services	Total expenses
Partnership grant distributions	\$ 26,008,255	\$ -	\$ -	\$ -	\$ 26,008,255
Payroll, payroll taxes and benefits	1,567,744	1,188,133	552,205	1,740,338	3,308,082
Uncollectible contributions	721,840	-	-	-	721,840
Professional fees	292,579	132,759	42,301	175,060	467,639
Advertising and promotional	74,471	256,782	-	256,782	331,253
License and fees	175,416	30,975	38,605	69,580	244,996
IT services and equipment	48,468	141,649	10,681	152,330	200,798
Occupancy and insurance	74,130	45,013	13,052	58,065	132,195
Travel	77,381	45,309	6,184	51,493	128,874
Depreciation and amortization	34,901	21,193	6,145	27,338	62,239
Supplies, postage and telephone	19,043	27,745	3,577	31,322	50,365
Printing	2,008	28,760	15	28,775	30,783
Staff development	6,941	12,319	2,326	14,645	21,586
Conference registration	9,854	3,605	1,045	4,650	14,504
Meals and entertainment	6,318	4,638	1,105	5,743	12,061
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 29,119,349</u>	<u>\$ 1,938,880</u>	<u>\$ 677,241</u>	<u>\$ 2,616,121</u>	<u>\$ 31,735,470</u>

See accompanying notes to the financial statements

**Rainforest Trust**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

Cash flows from operating activities:	
Change in net assets	\$ <u>7,816,349</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	57,731
Right-of-use asset amortization for financing lease	4,508
Right-of-use asset amortization for operating lease	107,658
Uncollectible contributions expense	721,840
Unrealized loss on investments	567,981
Noncash contributions of securities	(15,468,132)
Proceeds from sales of contributed securities	15,278,813
Decrease (increase) in assets:	
Contributions receivable	738,509
Prepaid expenses	(93,141)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(40,327)
Lease liability for operating lease	<u>(107,658)</u>
Total adjustments	<u>1,767,782</u>
Net cash provided by operating activities	<u>9,584,131</u>
Cash flows from investing activities:	
Proceeds from sales of investments	2,245,990
Purchases of property and equipment	(28,811)
Purchases of investments	(1,929,418)
Proceeds from note receivable	<u>1,148</u>
Net cash provided by investing activities	<u>288,909</u>
Cash flows from financing activities:	
Principal payment on lease liability for financing lease	<u>(4,388)</u>
Net cash used in financing activities	<u>(4,388)</u>
Net increase in cash and cash equivalents	9,868,652
Cash and cash equivalents, beginning of year	<u>94,055,112</u>
Cash and cash equivalents, end of year	<u>\$ <u>103,923,764</u></u>

See accompanying notes to the financial statements.



**Rainforest Trust**  
**Notes to the Financial Statements**  
**December 31, 2022**

**1. Organization**

Rainforest Trust (the Organization) is a nonprofit organization incorporated under the laws of New York and established exclusively for charitable purposes. Originally incorporated as World Parks Endowment on December 8, 1988, the Organization changed its name to Rainforest Trust in 2013.

The Organization was established in order to provide funds for conservation of parks and protected areas around the world that are of international importance for the conservation of biological diversity. Its program focuses on the creation and expansion of protected areas in the tropics and subtropics with local partners and communities through three mechanisms: establishment of government parks and protected areas, purchase of land and establishment of private reserves, and land titling and other mechanisms for delivering Indigenous and local community ownership and management.

**2. Summary of Significant Accounting Policies**

**a. Basis of presentation**

The Organization's financial statements are presented in accordance with generally accepted accounting principles in the United States of America (US GAAP) for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion.
- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**b. Basis of accounting**

The Organization's financial statements are prepared on the accrual basis of accounting in accordance with US GAAP.

**Rainforest Trust**  
**Notes to the Financial Statements**  
**December 31, 2022**

**c.** 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

**d.** Fair value measurements

US GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. US GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

Valuation Techniques

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended December 31, 2022.

- Exchange-traded funds: Valued at the closing quoted price in an active market.
- Common stock: Valued at the closing quoted price in an active market.

**Rainforest Trust**  
**Notes to the Financial Statements**  
**December 31, 2022**

- U.S. government securities: U.S. Treasury bonds and notes in which the Organization invests are usually “off the run” on the measurement date. Thus, they are valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. U.S. Treasury bonds and notes that are “on the run” are measured at quoted prices in active markets for the same security.

**e.** Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The Organization is not classified as a private foundation.

**f.** Cash and cash equivalents

For financial statement purposes, the Organization classifies demand deposits and short-term investments with an original maturity of three months or less as cash equivalents.

**g.** Contributions receivable, net

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Amounts that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The cash flows are discounted at a discount rate commensurate with the risk involved. Amortization of the resulting discount is recognized as additional contribution revenue. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At December 31, 2022, the allowance for uncollectible receivables totaled \$516,721.

**Rainforest Trust**  
**Notes to the Financial Statements**  
**December 31, 2022**

**h.** Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the accompanying statement of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor restrictions or law. The Organization invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements. Investment income is reported net of external and direct internal investment expenses.

**i.** Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. The Organization follows a practice of capitalizing property and equipment with a cost of over \$1,000 and an estimated useful life of more than one year. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 7 years for furniture and 3 to 5 years for computer equipment. Leasehold improvements are amortized over the shorter of the lease life or useful life of the asset, which is 2 years. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

**j.** Revenue recognition

*Contributions:* Unconditional contributions are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances. The Organization reports gifts of cash and other assets as donor restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

**Rainforest Trust**  
**Notes to the Financial Statements**  
**December 31, 2022**

*In-kind contributions:* Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

**k.** Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following summarizes the allocation methodology for 2022:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll, payroll taxes and benefits	Estimated time and effort allocation by role
Partnership grant disbursements, advertising and promotional, licenses and fees, IT services and equipment, professional fees, printing, conference registration, travel, staff development, meals and entertainment	Direct charge to the cost center benefiting from the expense
Shared IT services and equipment, occupancy and insurance, depreciation and amortization, supplies, and telephone	Allocated based on level of effort charged to each functional class relative to total effort

**Rainforest Trust**  
**Notes to the Financial Statements**  
**December 31, 2022**

**I.** Leases

The Organization leases office space and equipment. The Organization determines if an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the Organization has the right to control the asset. Operating leases are included in operating lease right-of-use (ROU) assets, net and lease liabilities for operating lease on the statement of financial position. Finance leases are included in property and equipment, net and lease liabilities for financing lease on the statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**m.** Adoption of new accounting standards

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item on the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit has received. Adoption of this standard did not have a significant impact on the accompanying financial statements, with the exception of the increased disclosure.

**Rainforest Trust**  
**Notes to the Financial Statements**  
**December 31, 2022**

**3. Liquidity and Availability**

The following represents the Organization's financial assets at December 31:

	2022
Financial assets at year end:	
Cash and cash equivalents	\$ 103,923,764
Contributions receivable	3,652,529
Notes receivable	247
Investments	1,587,071
Total financial assets	109,163,611
Less amounts not available for unrestricted purposes within one year:	
Net assets with donor restrictions	103,596,033
Financial assets available to meet general expenditures within one year	\$ 5,567,578

Most of the Organization's financial assets are restricted for conservation projects that span multiple years. Donations are solicited at the launch of each project to assure that the financial commitment contracted with the implementing partner can be met. Funds are then disbursed to the partner as milestones are met through the life of the project. Thus, significant financial assets are held on the statement of financial position during project implementation. Seasonal variability in contributions can also lead to higher balances during peak giving periods. The Organization structures its financial assets to be available as its conservation partner payments, general expenditures, liabilities, and other obligations become due. Unrestricted cash is maintained in liquid accounts and is available to meet general operating needs. During 2022, the Board of Directors adopted a new Investments Policy Statement to allow for the conservative investment of cash with an emphasis on capital preservation. The portfolio is focused on low risk short-term fixed income securities in pursuit of a reasonable rate of return to support the operations of the Organization. The portfolio was funded in 2023. Separately, endowment investments, are discussed in Notes 6 and 7 of this report.

**4. Concentrations of Credit Risk**

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2022, the Organization had bank deposits in excess of FDIC limits of \$103,174,684. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Rainforest Trust**  
**Notes to the Financial Statements**  
**December 31, 2022**

**5. Contributions Receivable**

Contributions receivable consist of unconditional promises to give and are summarized as follows:

Unconditional promises to give expected to be collected in:	Contributions receivable - partner commitments	Contributions receivable - other	Total
Less than one year	\$ 1,825,831	\$ 669,981	\$ 2,495,812
One to three years	<u>1,716,961</u>	<u>75,000</u>	<u>1,791,961</u>
Total contributions receivable	3,542,792	744,981	\$ 4,287,773
Less:			
Allowance for uncollectible receivables	(516,721)	-	(516,721)
Discount to present value (discount rate of .24%)	<u>(115,007)</u>	<u>(3,516)</u>	<u>(118,523)</u>
Contributions receivable, net	<u>\$ 2,911,064</u>	<u>\$ 741,465</u>	<u>\$ 3,652,529</u>

**6. Investments and Fair Value Measurements**

Assets measured at fair value on a recurring basis at December 31, 2022 are as follows:

Assets:	Level 1	Level 2	Level 3	Total
Exchange-traded funds	\$ 1,389,434	\$ -	\$ -	\$ 1,389,434
Bonds	-	139,653	-	139,653
Common stock	<u>22,706</u>	<u>-</u>	<u>-</u>	<u>22,706</u>
Total assets	<u>\$ 1,412,140</u>	<u>\$ 139,653</u>	<u>\$ -</u>	1,551,793
Cash, reported at cost				<u>35,278</u>
Total investments				<u>\$ 1,587,071</u>

**7. Sustainability Endowment**

In 2014, the Organization received an investment portfolio worth \$496,743. The vision of this fund is to provide a source of funding for habitat preservation in tropical regions throughout the world for endangered and threatened species. Once the fund reached \$1.4 million dollars, or after five years, whichever came first, the Organization was able to start disbursing the amounts in excess of the original corpus. Disbursements shall be used for land acquisition protection. Up to 50% of disbursements for the given year can be used for land reclamation and reforestation. Recipients of the disbursements will be deemed by the board to be responsible stewards of the land and funds, and financially sound and sustainable. Under US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. In 2022, the major donor to the endowment agreed to disendow their portion of the funds and in 2023, the Board of Directors passed a resolution to pursue the disendowment of the remaining funds.



**Rainforest Trust**  
**Notes to the Financial Statements**  
**December 31, 2022**

Management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restriction, held temporarily until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Organization; and (7) investment policies of the Organization.

Change in endowment net assets for the year ended December 31, 2022 was:

	With donor restrictions - held for time or purpose	With donor restrictions - held in perpetuity	Total
Endowment net assets, beginning of year	\$ 1,270,080	\$ 645,000	\$ 1,915,080
Investment return			
Investment income	23,399	-	23,399
Net appreciation	<u>(378,828)</u>	<u>-</u>	<u>(378,828)</u>
Total investment return	(355,429)	-	(355,429)
Contributions	1,361	-	1,361
Donor release of restriction	<u>(334,180)</u>	<u>(645,000)</u>	<u>(979,180)</u>
Endowment net assets, end of year	<u>\$ 581,832</u>	<u>\$ -</u>	<u>\$ 581,832</u>

**Rainforest Trust**  
**Notes to the Financial Statements**  
**December 31, 2022**

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA. Such endowments are often referred to as “underwater” endowments. Though the Organization is not required by donor-imposed restriction or law to use its unrestricted resources to restore the endowments to their historic dollar value, accounting guidance for not-for-profit organization require that such losses and subsequent gains be reflected as changes in net assets with donor restriction until the fair values again reach their historical dollar values. In accordance with US GAAP, deficiencies of this nature are reported in net assets with donor restriction. There were no such deficiencies at December 31, 2022.

The Organization follows a conservative investment policy for endowment assets that attempts to fully preserve the original corpus and optimize returns. Should significant new donations be made to the endowment assets, the Organization's investment policy would permit a strategy of long-term growth of the endowment assets. Under such a policy, the endowment assets would be invested in a manner that is intended to produce favorable results while taking a prudent approach to risk.

**8. Property and Equipment, Net**

The following is a summary of property and equipment held at December 31, 2022:

Furniture and computer equipment	\$ 290,362
Leasehold improvements	<u>68,954</u>
Property and equipment	359,316
Accumulated depreciation and amortization	<u>(189,129)</u>
Total property and equipment, net	<u><u>\$ 170,187</u></u>

**9. Net Assets with Donor Restrictions**

At December 31, 2022, net assets with donor restrictions were available for the following programs:

Pooled Funds for conservation projects that will be allocated to multiple countries and regions:

Conservation Action Fund	\$ 7,376,812
Rainforest Climate Action Fund	259,231
Sustainability Fund	<u>581,832</u>
Subtotal	<u><u>8,217,875</u></u>

**Rainforest Trust**  
**Notes to the Financial Statements**  
**December 31, 2022**

Pooled Funds for specific purposes within multiple countries and regions:

Guardians of the Rainforest	421,945
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Project Funds specific to the following countries and regions:

Andes-Amazon	8,905,403
Angola	192,326
Argentina	1,744,062
Bangladesh	10,999
Belize	1,846,343
Bolivia	2,268,956
Brazil	4,147,471
Cambodia	202,301
Cameroon	298,623
Central African Republic	6,487,750
Colombia	4,938,600
Congo Basin	4,509,889
Costa Rica	965,999
Cote d'Ivoire	292,446
Cuba	164,392
Democratic Republic of Congo	1,813,157
Dominican Republic	230,277
Ecuador	14,146,878
Equatorial Guinea	1,111,457
Ethiopia	68,345
Fiji	86,802
Gabon	405,893
Ghana	248,184
Guatemala	120,135
Guinea	1,173,986
India	537,501
Indonesia	6,282,000
Kenya	3,351,079
Laos	3,309,810
Liberia	3,716,835
Madagascar	2,693,420
Malaysia	231,839
Mexico	897,527
Mozambique	2,795,871
Multi-Regional Projects	638,748
Myanmar	513,675
Nepal	1,067,899
New Caledonia	441,733
Nigeria	289,939
Panama	18,800
Peru	5,469,542
Philippines	275,528
Republic of the Congo	1,738,829
Sao Tome and Principe	209,284
Solomon Islands	148,598

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Project Funds specific to the following countries and regions (continued):

South Africa	1,510,038
South Sudan	28,691
Tanzania	83,647
Thailand	911,445
Uganda	42,965
Vietnam	229,936
Zambia	<u>1,140,360</u>
Subtotal	<u>94,956,213</u>
Total net assets with donor restrictions	<u>\$ 103,596,033</u>

**10. Related Party Transactions**

In 2017, the Organization entered into a brand sharing and license agreement with Rainforest Trust UK. Rainforest Trust UK is a separately incorporated and governed Charitable Incorporated Organization registered in England and Wales. The agreement permits Rainforest Trust UK to use the Organization's brand documentation, licensed marks, license territory and marks with the review and approval of the Organization. There is no financial consideration associated with the agreement. Currently, one staff member of the Organization is a Board member of Rainforest Trust UK. The Organization received total contributions from Rainforest Trust UK of \$1,432,632 for the year ended December 31, 2022.

The Organization received total contributions from board members of \$4,777,611 for the year ended December 31, 2022.

**11. Concentrations of Revenue Risk**

During the year ended December 31, 2022, the Organization received \$15,135,163 from one donor which is approximately 38% of its total revenue and support. Any significant reduction in revenue and support may adversely impact the Organization financial position and operations.

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**12. In-Kind Contributions**

The Organization's financial statements include in-kind contributions revenue and support, and associated expense for legal services that would typically be solicited if not provided as an in-kind contribution. These services require specialized skill and are recognized at the fair value when pledged, and expenses when services are rendered. The Organization did not monetize any contributed nonfinancial assets. The donated services were utilized in the fiscal year and allocated to the programs benefited. The fair value of these services is provided by the service provider and verified based on the date and the current rates for legal services in the market in which the service is rendered. The Organization received \$26,400 in contributed legal services for the year ended December 31, 2022. There were no donor restrictions associated with the donated services.

**13. Retirement Plan**

The Organization sponsors a SIMPLE-IRA (Savings Incentive Match Plan for Employees) to its full-time employees who are eligible to participate upon their date of hire. The Organization matches 100% of each eligible participant's elective deferrals up to 3% of each eligible participant's annual compensation. For the year ended December 31, 2022, retirement plan expense was \$73,751.

**14. Leases**

Operating lease

In April 2019, the Organization entered into an agreement to lease office space in Vint Hill, Virginia. The lease commenced on June 15, 2019 and expired on June 30, 2021, with a base monthly payment of \$18,286. In June 2021, the Organization signed the first amendment effective July 2021 with a base monthly rent of \$8,860 and a 3% annual increase. The amendment extends the lease through June 2023. The Organization has the option to extend the lease for an additional year, which was not considered when assessing the value of the right-of-use asset because the Organization is not yet reasonably certain that it will exercise its option to renew. The lease asset and liability were calculated utilizing the risk-free discount rate (.23%).

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Aggregate future minimum lease payments are as follows for the years ending December 31:

2023	\$ <u>54,757</u>
Total	54,757
Interest accretion	<u>(37)</u>
Present value of operating lease liability	\$ <u><u>54,720</u></u>

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31:

	<u>2022</u>
Operating lease right-of-use asset	\$ <u><u>53,923</u></u>
Operating lease liability, current	\$ <u><u>54,720</u></u>

Operating lease expense, included in the statement of activities, for the year ended December 31, 2022 was \$107,658. Cash paid for amounts included in the measurement of lease liabilities included in operating cash flows on the statement of cash flows for the year ended December 31, 2022 was \$107,919.

Financing leases

In November 2021, the Organization entered into an agreement to lease a copier for three years. The lease commenced on November 10, 2021, with a base monthly payment of \$380. The lease asset and liability were calculated utilizing the risk-free discount rate (.83%).

Aggregate future minimum lease payments are as follows for the years ending December 31:

2023	\$ 4,475
2024	<u>3,729</u>
Total	8,204
Interest	<u>(66)</u>
Present value of financing lease liability	\$ <u><u>8,138</u></u>

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The following summarizes the line items in the statement of financial position which include amounts for financing leases as of December 31:

	2022
Financing lease right-of-use asset	\$ <u>8,264</u>
Financing lease liability, current	\$ 4,423
Financing lease liability, non-current	<u>3,715</u>
Total financing lease liabilities	\$ <u>8,138</u>

Reported on the statement of financial position as of December 31, 2022:

Lease liability for financing lease	\$ 4,423
Lease liability for financing lease, non-current	<u>3,715</u>
Total	<u>8,138</u>

As of December 31, 2022, assets recorded under finance leases were \$13,523 and accumulated depreciation associated with finance leases was \$5,259. Financing lease amortization expense, included in program services in the accompanying statement of activities, for the year ended December 31, 2022 was \$4,508. Cash paid for amounts included in the measurement of lease liabilities included in operating cash flows on the statement of cash flows for the year ended December 31, 2022 was \$4,475, which includes \$87 of interest expense.

Weighted Average Remaining Lease Term

	2022
Operating lease	0.5 years
Financing lease	1.83 years

Weighted Average Discount Rate

Operating lease	0.23%
Financing lease	0.83%

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**15. Subsequent Events**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 19, 2023, which is the date the financial statements were available to be issued. Except as disclosed in Note 7 and as noted below, there were no additional subsequent events that require recognition or disclosure in these financial statements.

In February 2023, the Organization paid out the existing lease agreement and commenced a new lease for a smaller space. The lease commenced March 1, 2023 with a base monthly rent of \$1,060.