Rare and Affiliates

Consolidated Financial Report
September 30, 2019

Contents

RSM US LLP

Independent Auditor's Report

Board of Trustees
Rare

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rare and Affiliates (Rare), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, the related consolidated statements of activities, and cash flows for the years then ended, the related statement of functional expenses for the year ended September 30, 2019 and the related notes to consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rare and Affiliates as of September 30, 2019 and 2018, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, Rare retrospectively adopted the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in the statement of functional expenses, additional footnote disclosures and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

As disclosed in Note 1 to the financial statements, Rare adopted the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* using the modified retrospective method. This had a significant effect on the total revenue recognized for the year ended September 30, 2019. Our opinion is not modified with respect to this matter.

RSM US LLP

McLean, Virginia
June 12, 2020

Rare and Affiliates

Consolidated Balance Sheets
September 30, 2019 and 2018

	2019	2018
Assets		
Operating assets:		
Cash and cash equivalents	**$ 7,491,342**	$ 8,326,755
Grants and contributions receivable, net	**19,092,688**	11,470,419
Prepaid expenses and other assets	**452,624**	617,828
Program related investment loan	**239,108**	-
Investments	**9,064,092**	8,358,013
Investments, Meloy Fund I G.P.	**34,938**	39,568
Assets held for deferred compensation	**1,376,255**	1,565,235
Property and equipment, net	**205,565**	286,100
Total operating assets	**37,956,612**	30,663,918
Portfolio assets – Meloy Fund I L.P. (Notes 1 and 3):		
Cash and cash equivalents	**2,153,985**	162,501
Investments held by Meloy Fund I G.P.	**3,268,750**	5,328,750
Capital call receivable	**100,000**	450,000
Other assets	**124,079**	111,946
Investment in privately held securities, at fair value (cost $1,813,5542 and $1,046,973, respectively)	**1,813,542**	904,927
Total portfolio assets	**7,460,356**	6,958,124
Total assets	**$ 45,416,968**	$ 37,622,042
Liabilities and Net Assets		
Operating liabilities:		
Accounts payable and accrued expenses	**$ 3,364,083**	$ 3,239,233
Refundable advances	**4,794,135**	8,304,590
Deferred compensation liabilities	**1,376,255**	1,565,235
Total operating liabilities	**9,534,473**	13,109,058
Portfolio liabilities – Meloy Fund I L.P. (Notes 1 and 3):		
Accounts payable and accrued expenses	**95,350**	-
Capital paid in advance	**5,148,750**	5,328,750
Total portfolio liabilities	**5,244,100**	5,328,750
Total liabilities	**14,778,573**	18,437,808
Commitments and contingencies (Notes 8, 9 and 12)		
Net assets:		
Without donor restrictions		
Undesignated	**654,746**	284,927
Designated by the Board	**9,238,944**	8,486,598
Total Rare net assets without donor restrictions	**9,893,690**	8,771,525
Noncontrolling interest in Meloy Fund I L.P. (Note 3)	**2,083,705**	1,443,528
Total net assets without donor restrictions	**11,977,395**	10,215,053
With donor restrictions	**18,661,000**	8,969,181
Total net assets	**30,638,395**	19,184,234
Total liabilities and net assets	**$ 45,416,968**	$ 37,622,042

See notes to consolidated financial statements.

Rare and Affiliates

Consolidated Statements of Activities
Years Ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restriction	With Donor Restriction	Total
Operating support and revenue:						
Grants and contributions	**$ 1,838,060**	**$ 34,753,696**	**$ 36,591,756**	$ 18,231,665	$ 3,076,356	$ 21,308,021
In-country grants and contributions	**-**	**-**	**-**	660,706	-	660,706
Contributed services and materials	**133,449**	**-**	**133,449**	128,320	-	128,320
Management fee revenue	**-**	**-**	**-**	-	-	-
Net assets released from restrictions	**25,061,877**	**(25,061,877)**	**-**	5,223,333	(5,223,333)	-
Total operating support and revenue	**27,033,386**	**9,691,819**	**36,725,205**	24,244,024	(2,146,977)	22,097,047
Operating expenses:						
Sustainable Fisheries and Agriculture	**12,373,479**	**-**	**12,373,479**	11,651,650	-	11,651,650
Climate Change	**3,818,770**	**-**	**3,818,770**	3,100,761	-	3,100,761
Innovative Finance	**3,184,546**	**-**	**3,184,546**	2,914,811	-	2,914,811
Center for Behavior and Environment	**3,129,517**	**-**	**3,129,517**	3,446,702	-	3,446,702
Fundraising	**2,331,385**	**-**	**2,331,385**	2,161,121	-	2,161,121
Administrative	**2,549,864**	**-**	**2,549,864**	2,332,715	-	2,332,715
Total operating expenses	**27,387,561**	**-**	**27,387,561**	25,607,760	-	25,607,760
Other income:						
Rental income	**168,393**	**-**	**168,393**	86,375	-	86,375
Investment income	**924,765**	**-**	**924,765**	53,263	-	53,263
	1,093,158	**-**	**1,093,158**	139,638	-	139,638
Changes in net assets before noncontrolling interest	**738,983**	**9,691,819**	**10,430,802**	(1,224,098)	(2,146,977)	(3,371,075)
Meloy Fund I L.P.						
Portfolio interest	**218,315**	**-**	**218,315**	106,381	-	106,381
Change in unrealized gain (loss) on privately held securities	**142,044**	**-**	**142,044**	(142,046)	-	(142,046)
	360,359	**-**	**360,359**	(35,665)	-	(35,665)
Changes in net assets before contributions by limited partners	**1,099,342**	**9,691,819**	**10,791,161**	(1,259,763)	(2,146,977)	(3,406,740)
Contributions by limited partners	**663,000**	**-**	**663,000**	1,615,250	-	1,615,250
Change in net assets	**1,762,342**	**9,691,819**	**11,454,161**	355,487	(2,146,977)	(1,791,490)
Net assets:						
Beginning	**10,215,053**	**8,969,181**	**19,184,234**	9,859,566	11,116,158	20,975,724
Ending	**$ 11,977,395**	**$ 18,661,000**	**$ 30,638,395**	$ 10,215,053	$ 8,969,181	$ 19,184,234

See notes to consolidated financial statements.

Rare and Affiliates

Consolidated Statement of Functional Expenses
Year Ended September 30, 2019
(With Comparative Totals for 2018)

	2019								2018
	Program Services								
	Sustainable Fisheries and Agriculture	Climate Change	Innovative Finance	Center for Behavior and the Environment	Program Services	Fundraising	Administrative	Total	Total
Salaries and benefits	$ 6,212,524	$ 2,852,207	$ 2,236,270	$ 1,670,580	$ 12,971,581	$ 1,763,497	$ 1,690,989	$ 16,426,067	$ 13,846,617
Consulting and professional fees	1,968,218	439,634	450,566	746,667	3,605,085	294,124	247,069	4,146,278	4,876,955
Travel and meetings	2,078,275	309,072	199,821	266,568	2,853,736	91,899	54,763	3,000,398	3,218,930
Subgrants and awards	907,051	-	-	183,045	1,090,096	-	-	1,090,096	1,146,552
Occupancy costs	789,040	94,213	208,101	196,127	1,287,481	137,056	176,471	1,601,008	1,521,017
Supplies	139,222	7,618	556	9,528	156,924	2,136	20,894	179,954	132,628
Professional development	36,572	8,872	11,372	13,906	70,722	10,319	15,444	96,485	76,014
Equipment and materials	130,683	18,813	16,246	22,681	188,423	14,590	41,934	244,947	67,252
Communications	62,854	12,380	4,029	2,396	81,659	10,372	36,125	128,156	120,596
Depreciation and amortization	-	-	-	-	-	-	133,375	133,375	138,220
Miscellaneous	11,220	58,430	5,237	965	75,852	1,455	69,943	147,250	291,923
Postage and printing	23,471	12,090	767	17,014	53,342	5,601	11,097	70,040	76,985
Bank fees	7,673	5,441	344	40	13,498	336	5,163	18,997	32,534
Insurance	6,676	-	51,237	-	57,913	-	46,597	104,510	61,537
Total	$ 12,373,479	$ 3,818,770	$ 3,184,546	$ 3,129,517	$ 22,506,312	$ 2,331,385	$ 2,549,864	$ 27,387,561	$ 25,607,760

See notes to consolidated financial statements.

Rare and Affiliates

Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets before contributions by limited partners	**$ 10,791,161**	$ (3,406,740)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**133,375**	138,220
Bond premium amortization	**(25,087)**	51,677
Increase (decrease) in the allowance for doubtful accounts	**159,235**	(45,006)
Increase in discount on pledges	**45,231**	18,651
Net realized and unrealized (gains) losses	**(597,921)**	177,104
(Increase) decrease in:		
Grants and contributions receivable, net	**(7,826,735)**	3,641,587
Prepaid expenses and other assets	**165,204**	63,730
Program related investment loan	**(239,108)**	-
Assets held for deferred compensation	**188,980**	28,177
Increase (decrease) in:		
Accounts payable and accrued expenses	**124,850**	(402,789)
Refundable advances	**(3,510,455)**	5,626,138
Deferred compensation liabilities	**(188,980)**	(28,177)
Net cash (used in) provided by operating activities	**(780,250)**	5,862,572
Cash flows from investing activities:		
Purchase of property and equipment	**(52,840)**	(81,199)
Purchase of investments	**(13,152,233)**	(1,251,527)
Proceeds from sale of investments	**13,069,162**	817,468
Net cash used in investing activities	**(135,911)**	(515,258)
Cash flows from financing activities:		
Proceeds from note payable in Meloy Fund I L.P.	**-**	76,812
Payments on the note payable in Meloy Fund I L.P.	**-**	(788,500)
Changes in operating assets and liabilities for Meloy Fund I L.P.	**1,663,955**	(461,835)
Principal repayments related to privately held securities	**633,431**	30,656
Change in unrealized loss on privately held securities	**(142,046)**	142,046
Purchase of investments in privately held securities	**(1,639,108)**	(240,941)
Principal repayments related to privately held securities	**663,000**	1,615,250
Contribution by limited partners	**833,000**	-
Net cash provided by financing activities	**2,012,232**	373,488
Net increase in cash and cash equivalents	**1,096,071**	5,720,802
Cash and cash equivalents:		
Beginning	**8,489,256**	2,768,454
Ending	**$ 9,585,327**	$ 8,489,256
Cash and cash equivalents – Operating	**$ 7,491,342**	$ 8,326,755
Cash and cash equivalents – Portfolio	**2,153,985**	162,501
	$ 9,645,327	$ 8,489,256

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Rare is a not-for-profit conservation organization that is solution-oriented and focused on inspiring change so people and nature thrive. Rare is incorporated under the laws of the state of Virginia and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a public charity under sections 509(a)(1) and 170(b)(1)(A)(vi).

Headquartered in Arlington, Virginia, Rare has offices in Brazil, China, Philippines, Mozambique, Indonesia, Colombia, Germany and Mexico.

Rare believes that for every major environmental challenge facing our planet, people are both the problem and the solution - dwindling forests and fisheries; threats to biodiversity; resources in crisis; harmful climate change. Rare, a global conservation organization, believes the key to addressing these threats lies with the people and communities that face the challenges firsthand, where their livelihoods and their lives depend on finding solutions.

For over 40 years, Rare has worked directly with communities to better manage natural resources, restore fish populations, protect coral reefs, ensure access to clean fresh water and create a sustainable food supply. Rare is a global leader in the use of behavioral science to inspire change at a local level, to achieve conservation impact on a global scale. To learn more, go to rare.org.

Rare Ventures, LLC, Meloy Fund I, G.P. and Meloy Fund I, L.P.: Rare Ventures, LLC (the Management Company), a Delaware limited liability company, was formed in 2010 as a wholly owned subsidiary of Rare to provide contract services on behalf of Rare.

During 2017, Rare authorized the formation of The Meloy Fund I, L.P., (the Fund), a Delaware limited partnership as a separate partnership entity. The Fund was formed to generate measurable social and environmental outcomes and to provide financial returns for investors by making debt and equity investments in fishing and fisheries-related enterprises that have operations in Indonesia and the Philippines.

The Meloy Fund I G.P., LLC (the General Partner), a Delaware limited liability company, was formed in 2017 as a wholly owned subsidiary of Rare and the general partner of the Fund. Under the management agreement, the General Partner utilizes Rare's expertise in the development, support and management of marine common pool resources and sustainable fisheries to provide management services to the Fund. For the purposes of financial reporting, the General Partner and the Management Company are consolidated with Rare. Although the Fund is a separate entity, it is included in the consolidation.

A summary of Rare's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Principles of consolidation: All transactions between Rare, the Management Company, the General Partner, and the Fund, have been eliminated in consolidation. For the purpose of this report, the entities are collectively referred to as Rare.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Basis of presentation: The consolidated financial statements of Rare are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Net assets: Rare classifies net assets into two categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of the organization. All contributions are considered to be available for undesignated use, unless specifically designated by the Board of Trustees or given with donor restrictions or internally designated by management.

The Board of Trustees has designated a portion of Rare's net assets to build and maintain an adequate level of liquidity to support the organization’s day-to-day operations in the event of unforeseen shortfalls. Earnings from the designated funds are reinvested in the fund. The board designated fund totaled $9,238,944 and $8,486,598 at September 30, 2019 and 2018, respectively.

Net assets with donor restrictions are contributions with donor-imposed time and/or program restrictions. The time and purpose restrictions require that resources be used for specific purposes and/or in a specific period or after a specified date. Net assets with donor restrictions become net assets without donor restrictions when the time restrictions expire or when the funds are used for their restricted purposes, at which time they are reported in the combined statements of activities as net assets released from restrictions. There are no net assets that are permanently restricted.

Cash and cash equivalents: Rare considers all cash and highly-liquid investments with initial maturities of three months or less and which present insignificant risk of change in value to be cash and cash equivalents. As of September 30, 2019 and 2018, this balance included cash and demand bank deposits.

Foreign operations: The accompanying consolidated financial statements include the worldwide operations of Rare (headquarter and branch offices). At September 30, 2019 and 2018, assets held in non-US countries totaled approximately $284,861 and $358,200, respectively.

Financial and credit risk: Rare maintains its cash in bank accounts which, at times, may exceed insured limits. Rare has not experienced any losses in such accounts. Rare believes it is not exposed to any significant financial risk on cash.

Grants, contributions and contributions receivable: Grants and contributions are recognized as revenue and receivables in the year unconditional promises to give are received and increase the appropriate revenue category of net assets. Grants and contributions receivable that will not be collected within one year are discounted at a rate commensurate with the risks involved at the time the gift was pledged, based upon anticipated payment dates. Rare has established an allowance for uncollectible grants and contributions receivable in the amount of $300,570 and $141,335 at September 30, 2019 and 2018, respectively. Conditional promises to give are not reported as revenue until the conditions are substantially met.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments consist primarily of fixed income securities carried at fair market value based on quoted market prices as described in Note 2. To adjust the carrying value of these investments, the change in fair market value is recorded as a component of investment income on the consolidated statements of activities.

Allowable investments are stipulated in Rare's investment policy. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is possible that changes in risks in the near term would materially affect investment balances and amounts reported in the consolidated financial statements. As of September 30, 2019 and 2018, the net realized and unrealized gain was $597,921 and as of September 30, 2018, the net realized and unrealized loss was $177,104.

Property and equipment: Property and equipment with a unit cost greater than $5,000 is initially recorded at cost and thereafter depreciated on a straight-line basis over the estimated useful lives of the related depreciable assets, generally three to ten years. The cost of maintenance and repairs is recorded as an expense.

Sub-grants and awards: Rare recognizes expenses for sub-grants and awards at the time the sub-grantee meets the conditions of the grant agreement and submits a request for payment. Conditions of a grant agreement include program milestones and documented expenses.

Refundable advances: Represents cash received on grants and contributions for which some condition was not yet met. Conditions of a grant or contribution may include future funds availability, matching funding, or the completion of project tasks and related expenditures.

Contributed goods and services: Contributions of services are recognized when they are received if the services either: (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Contributed non-cash goods and services are recognized at fair value per the contracts with Rare partners, or as provided by donors.

Use of estimates: The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

Foreign currency transactions: The functional currency of Rare is the U.S. dollar. The consolidated financial statements and transactions of Rare's non-US countries operations are maintained in the local currency.

Foreign currency translation: Where local currencies are used, assets and liabilities are translated into U.S. dollars at the consolidated balance sheet date at the exchange rate in effect at the fiscal year-end. Gains and losses resulting from these translations are recognized on the consolidated statements of activities. Monthly expenses that are incurred by field offices in foreign countries are paid in local currency and then translated into U.S. dollars at the rate of exchange in effect during the month of the transaction. Foreign currency translation loss for the years ended September 30, 2019 and 2018, was $37,708 and $214,330, respectively. Gains and losses from foreign currency translation are included in the miscellaneous expenses in the statement of functional expenses.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Allocation of functional expenses: The costs of providing programs and other supporting services have been summarized on a functional basis on the consolidated statements of activities. Expenses that relate directly to program or supporting services are allocated to that program or supporting service. Expenses related to subscription, travel and board meetings are allocated based on the activities performed by the staff members within each area. Other expenses that require allocation such as rent, utilities and supplies are allocated based on headcount.

Noncontrolling interest: Rare follows Accounting Standards Update (ASU) 2010-07, which provides guidance related to not-for-profit mergers and acquisitions. In addition, ASU 2010-07 provides accounting guidance on how a not-for-profit parent organization accounts for noncontrolling interests in the equity (net assets) of consolidated subsidiaries. The guidance requires: (i) noncontrolling interest to be reported as a separate component of the appropriate class of net assets in the consolidated balance sheet; and (ii) a not-for-profit (parent) that has one or more consolidated subsidiaries with a noncontrolling interest shall provide a schedule of changes in consolidated net assets attributable to the parent and the noncontrolling interest either in the notes of the consolidated financial statements or on the face of the financial statements, if practicable. That schedule shall reconcile beginning and ending balances of the parent's controlling interest and the noncontrolling interests for each class of net assets for which a noncontrolling interest exists during the reporting period. This standard also requires that the noncontrolling interests continue to be attributed their share of losses even if that the attribution results in a deficit noncontrolling interest balance.

Tax-exempt status: Rare is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Rare is subject to unrelated business income taxes under Section 511 of the IRC; however, in the opinion of management, no provision for income taxes is required to be made. Net operating loss for the year ended September 30, 2019 was $36,027. The net operating loss for the year ended September 30, 2018 was $311,004.

Rare follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, Rare may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods. As of September 30, 2019, Rare had no cumulative unrelated business taxable loss.

Management evaluated Rare's tax positions and concluded that Rare had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Generally, Rare is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2016.

The General Partner is a limited liability company and the Fund is a limited partnership, registered in the state of Delaware. For federal tax filing purposes, the General Partner is considered a disregarded entity. The limited partners of the Fund report their respective portions of the Fund income and expense on their income tax returns.

Reclassifications: Certain items in the 2018 information have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adopting of recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU). 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers when control of the promised goods or services is transferred to the customer. In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* to clarify the accounting guidance for contributions received and contributions made. The amendments provide assistance to 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. Differences in these conclusions affect the timing of revenue recognized. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. When barriers to entitlement are overcome, conditional contributions are recognized as unconditional and classified as either net assets with restrictions or net assets without restriction. Cash received from a conditional contribution prior to overcoming a barrier is recorded as a refundable advance liability and cash asset.

During the year ended September 30, 2019, Rare elected to adopt ASU 2014-09 and ASU 2018-08. As a result, revenue recognition was changed for agreements not completed or entered after October 1, 2018. Previously, management determined whether a contribution was conditional based on the likelihood of failing to meet a condition. Rare considered a promise to give that was restricted to a specific purpose by the donor as conditional and revenue was recognized when the expenses were incurred. Payments made in advance of the expenses incurred were recorded as a refundable advance liability. Expenses incurred that were more than the cash payments received from the donor resulted in an accounts receivable. With adoption of this updated standard, a contribution is considered conditional on the basis of whether an agreement includes a barrier that must be overcome and the barrier is linked to either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both a barrier and a right of return or a right of release indicates that a recipient is not entitled to the transferred assets or a future transfer of assets until it has overcome the barrier(s) in the agreement. This had a significant effect on the total revenue recognized for the year ended September 30, 2019. Program restricted revenue that would have previously been considered conditional and now does not meet the definition of conditional revenue and is recognized in full. A summary of this impact is shown below:

The following table shows the effect of the adoption of ASU 2018-08 on the consolidated statement of financial position as of September 30, 2019:

	Pre ASU 2018-08	Adoption of ASU 2018-08	As Reported
Accounts receivable, net	$ 8,607,768	$ 10,484,920	$ 19,092,688
Current assets	$ 16,551,734	$ 10,484,920	$ 27,036,654
Total assets	$ 34,932,048	$ 10,484,920	$ 45,416,968
Refundable advances	$ 8,303,935	$ (3,509,800)	$ 4,794,135
Total liabilities	$ 18,288,373	$ (3,509,800)	$ 14,778,573
Total net assets	$ 16,643,675	$ 13,994,720	$ 30,638,395

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The following table shows the effect of the adoption of ASU 2018-08 on the consolidated statement of activities for the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total	Adoption of ASU 2018-08	Pre ASU 2018-08
Grants and contributions	$ 1,838,060	$ 34,753,696	$ 36,591,756	$ (13,994,721)	$ 22,597,035
Total operating revenue	$ 27,033,386	$ 9,691,819	$ 36,725,205	$ (13,994,721)	$ 22,730,484
Change in net assets non-controlling interest	$ 738,983	$ 9,691,819	$ 10,430,802	$ (13,994,721)	$ (3,563,919)
Change in net assets before contributions by limited partners	$ 1,099,342	$ 9,691,819	$ 10,791,161	$ (13,994,721)	$ (3,203,560)
Change in net assets	$ 1,762,342	$ 9,691,819	$ 11,454,161	$ (13,994,721)	$ (2,540,560)
Total net assets - beginning	$ 10,215,053	$ 8,969,181	$ 19,184,234	$ -	$ 19,184,234
Total net assets - ending	$ 11,977,395	$ 18,661,000	$ 30,638,395	$ (13,994,721)	$ 16,643,674

The following table shows the effect of the adoption of ASU 2018-08 on the consolidated statement of cash flows for the year ended September 30, 2019:

	Pre ASU 2018-08	Adoption of ASU 2018-08	As Reported
Change in net assets	$ (2,540,559)	$ 13,994,720	$ 11,454,161
Accounts receivable - (increase) decrease	$ 2,701,642	(10,484,920)	(7,783,278)
Deferred revenue - increase (decrease)	$ (7,020,254)	3,509,800	(3,510,454)

The modified prospective method was elected for the transitions and therefore, there is no cumulative-effect adjustment to opening net assets at the beginning of the year.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This ASU is effective for fiscal years beginning after December 15, 2017. The amendments in this ASU are intended to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and information presented about a not-for-profit's liquidity, financial performance and cash flows. Net asset classifications are reduced from three to two categories: net assets without donor restrictions and net assets with donor restrictions. The nature and amount of net assets with and without donor restrictions are included as footnote disclosures. Additional quantitative and qualitative disclosures are required to communicate information related to Rare's short-term liquidity. The ASU was retrospectively adopted by Rare in 2019. As permitted by the ASU in the year of adoption, Rare presented the detail statement of functional expenses and liquidity disclosure for only the year ended September 30, 2019.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Recent accounting pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Rare is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU results in the removal, modification and addition of certain disclosure requirements related to transfers between levels within the fair value hierarchy, valuation processes and unrealized gains/losses presentation for Level 3 measurements, and liquidation timing for investments held at net asset value. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied except for the changes related to Level 3 measurements which should be applied prospectively. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Rare is currently evaluating the impact of this ASU on its consolidated financial statements.

Subsequent events: Rare evaluated subsequent events through June 12, 2020, which is the date the consolidated financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 10, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the mission effectiveness of Rare by adversely impacting their ability to serve their clients in various quarantined countries and also through reduction in funding from federal agencies and public donors. Social and increasing situational disruptions to public donors could severely reduce donor giving resulting in lower revenues and hence their ability to provide services and mission impact. In addition, a significant outbreak of epidemic, pandemic or contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including the geographical area in which Rare operates, resulting in an economic downturn that could affect donor support. The extent to which the coronavirus impacts the results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

Under the CARES Act, Rare applied for the Paycheck Protection Program (PPP) loan and received approximately $1,673,000 on May 2, 2020.

Note 2. Investments and Fair Value Measurements

Investments at September 30, 2019 and 2018, consist of the following:

	2019	2018
Corporate bonds	$ 4,057,729	$ 4,878,962
Mutual funds – fixed income	5,041,301	3,518,619
	9,099,030	8,397,581
Invesments held for Meloy Fund I L.P.	(34,938)	(39,568)
	$ 9,064,092	$ 8,358,013

Investment income for the years ended September 30, 2019 and 2018 consists of the following:

	2019	2018
Dividends and interest	$ 702,783	$ 240,087
Net realized and unrealized gains (losses)	597,921	(177,104)
Investment fees	(15,580)	(9,720)
	$ 1,285,124	$ 53,263

The Accounting Standards Codification (the Codification) Topic on Fair Value Measurement establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair market value measurements. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair value.

The provision applies to all assets and liabilities that are being measured and reported on a fair value basis, and are disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, Rare performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Measurement Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by Rare at September 30, 2019 and 2018.

Note 2. Investments and Fair Value Measurements (Continued)

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

	2019			
Description	Total	Level 1	Level 2	Level 3
Corporate bonds	$ 4,057,729	$ -	$ 4,057,729	$ -
Mutual funds	5,041,301	5,041,301	-	-
Other investments measured at net asset value (a)	1,813,542	-	-	-
Money market	3,268,750	3,268,750	-	-
	14,181,322	8,310,051	4,057,729	-
Employee benefit plan:				
Mutual funds	1,376,255	1,376,255	-	-
Total assets	$ 15,557,577	$ 9,686,306	$ 4,057,729	$ -
Deferred compensation liabilities	$ 1,376,255	$ -	$ 1,376,255	$ -
	$ 1,376,255	$ -	$ 1,376,255	$ -

	2018			
Description	Total	Level 1	Level 2	Level 3
Corporate bonds	$ 4,878,962	$ -	$ 4,878,962	$ -
Mutual funds	3,518,619	3,518,619	-	-
Other investments measured at net asset value (a)	904,927	-	-	-
Money market	5,328,750	5,328,750	-	-
	14,631,258	8,847,369	4,878,962	-
Employee benefit plan:				
Mutual funds	1,565,235	1,565,235	-	-
Total assets	$ 16,196,493	$ 10,412,604	$ 4,878,962	$ -
Deferred compensation liabilities	$ 1,565,235	$ -	$ 1,565,235	$ -
	$ 1,565,235	$ -	$ 1,565,235	$ -

(a) In accordance with Accounting Standards Codification Topic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Note 2. Investments and Fair Value Measurements (Continued)

Mutual funds included in Level 1 assets are actively traded, and fair market values for identical assets are readily obtainable.

Corporate bonds are included in Level 2 assets as they are not actively traded. The fair market values are based on quoted prices for similar assets in active markets or quoted prices for identical assets in markets that are not active. Deferred compensation liabilities are also Level 2 as they are based on Level 1 fair values but only indirectly.

Note 3. Meloy Fund I L.P.

Debt investment receivables (Investments held for Meloy Fund I L.P.): The Meloy Fund I L.P. makes debt and equity investments designed to catalyze the development and adoption of sustainable fisheries in related enterprises that support the recovery of coastal fisheries. In addition to providing a financial return, these debt investments are designed to have a positive impact on the lives of fishers and their households by placing approximately 1.2 million hectares of coastal habitats under improved fisheries management.

Management reviewed the collectability of the debt investment receivables and concluded that an impairment allowance was not necessary for 2019. Allowance was $142,047 for the year ended September 30, 2018. The fair value of the debt investment receivables at September 30, 2019 and 2018, were $1,813,542 and $904,927, respectively.

Scheduled repayments of debt investment receivables, at cost as of September 30, 2019, are as follows:

Years ending September 30:	
2020	$ 675,744
2021	471,131
2022	200,000
2023	200,000
2024	200,000
2025	66,667
	$ 1,813,542

Interest income on debt investments is recognized when earned. During the years ended September 30, 2019 and 2018, interest earned on debt investments was $218,315 and $103,382, respectively.

Capital paid in advance – Meloy Fund I L.P.: The Fund received capital contributions in advance in the amount of $5,328,750 as of September 30, 2018. During 2019, 180,000 was called and $1,700,000 was transferred to the custody of the L.P, leaving a balance of $3,268,750 leaving a balance of $5,148,750 in the custody of the General Partner. The capital paid in advance is shown on the consolidated balance sheet as a portfolio asset Investments held by Meloy Fund I L.P.

Note 3. Meloy Fund I L.P. (Continued)

Contribution by limited partners to Meloy Fund I L.P.: The changes in the noncontrolling partners' interests in the Fund at September 30, 2019 and 2018, are as follows:

	2019	2018
Beginning balance – Noncontrolling limited partners' interest in Meloy Fund I L.P.	$ 1,443,528	$ 485,180
Capital contribution by noncontrolling limited partners	663,000	1,615,250
Net loss	(22,823)	(656,902)
Noncontrolling limited partners' interest in Meloy Fund I L.P.	$ 2,083,705	$ 1,443,528

The schedule of changes in consolidated net assets without donor restrictions related to Rare and noncontrolling interest in Meloy Fund I L.P. is as follows:

	Rare	Noncontrolling Interest	Total
Net Assets without donor restrictions			
Balance, September 30, 2017	$ 9,374,386	$ 485,180	$ 9,859,566
Change in net assets without donor restrictions	(602,861)	958,348	355,487
Distributions to noncontrolling interest	-	-	-
Balance, September 30, 2018	8,771,525	1,443,528	10,215,053
Change in net assets without donor restrictions	1,440,120	640,177	2,080,297
Distributions to noncontrolling interest	-	-	-
Balance, September 30, 2019	$ 10,211,645	$ 2,083,705	$ 12,295,350

Although the noncontrolling interest in Meloy Fund I L.P. is shown on the consolidated balance sheet as part of net assets without donor restrictions, these funds are designated for the Meloy Fund L.P. and cannot be used for Rare unrestricted expenditures.

	Rare	Noncontrolling Interest	Total
Net Assets without donor restrictions			
Balance, September 30, 2017	$ 9,374,386	$ 485,180	$ 9,859,566
Change in net assets without donor restrictions	(602,861)	958,348	355,487
Distributions to noncontrolling interest	-	-	-
Balance, September 30, 2018	8,771,525	1,443,528	10,215,053
Change in net assets without donor restrictions	1,440,120	640,177	2,080,297
Distributions to noncontrolling interest	-	-	-
Balance, September 30, 2019	$ 10,211,645	$ 2,083,705	$ 12,295,350

Note 4. Property and Equipment

Property and equipment, net of accumulated depreciation, at September 30, 2019 and 2018, consists of the following:

	2019	2018
Office furniture and equipment	$ 761,438	$ 761,438
Leasehold improvements	258,515	258,515
Website	413,340	360,500
	1,433,293	1,380,453
Less accumulated depreciation and amortization	(1,227,728)	(1,094,353)
	$ 205,565	$ 286,100

Depreciation expense for the years ended September 30, 2019 and 2018, was $133,375 and $138,220, respectively.

Note 5. Grants and Contributions Receivable

As of September 30, 2019 and 2018, grants and contributions receivable are due as follows:

	2019	2018
Within one year	$ 9,668,640	$ 8,524,572
1 to 2 years	9,986,000	3,163,333
3 to 5 years	-	140,000
Gross grants and contributions receivable	19,654,640	11,827,905
Less present value discount at 1.3%	(261,382)	(216,151)
Less allowance for doubtful accounts	(300,570)	(141,335)
Net grants and contributions receivable	$ 19,092,688	$ 11,470,419

Conditional grants: In addition to the above balances, Rare received conditional promises to give that have not yet being recognized as of the end of the year. Those promises were $19,974,460 and $15,171,706, as of September 30, 2019 and 2018,respectively. Rare did not receive a cash advance payment from the grantor and the specified conditions of the grant agreement were not yet met. As such, these amounts are not reported in the accompanying consolidated balance sheets or consolidated statements of activities. Conditional pledges are recognized as revenue when the specified conditions of the grant are met such as documented expenses or program deliverables. A refundable advance is recorded when a grantor makes a cash advance payment on a conditional pledge and Rare has not yet met the condition.

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at September 30, 2019 and 2018:

	2019	2018
Program restricted:		
Sustainable Fisheries and Agriculture	$ 7,086,850	$ -
Center for Behavior and the Environment	4,514,414	-
Climate Change	1,888,198	-
Innovative Finance	395,111	-
Public Education	110,000	-
Time restricted	4,666,427	8,969,181
	$ 18,661,000	$ 8,969,181

During the years ended September 30, 2019 and 2018, net assets with donor restrictions were released from restriction as follows:

	2019	2018
Program restricted:		
Sustainable Fisheries and Agriculture	$ 10,764,925	$ -
Climate Change	3,245,956	-
Innovative Finance	3,184,542	-
Center for Behavior and Environment	2,668,121	-
Time restricted	5,198,333	5,223,333
	$ 25,061,877	$ 5,223,333

Note 7. Board Designated Fund

The primary investment objective of the Board Designated Fund is capital preservation. The Board of Trustees reviews performance of related investments on an annual basis. Future fund growth comes from surplus net assets without donor restrictions and investment earnings from the fund. All earnings are reinvested in the Fund.

Under the terms of the governing documents, the Board of Trustees has the ability to distribute so much of the corpus of the Board Designated Fund as the Board of Trustees in its sole discretion shall determine. As a result of the ability to distribute corpus, all Board Designated contributions are classified as net assets without donor restrictions for financial statement purposes. The Board Designated account contains no contributions that are classified as either temporarily restricted or permanently restricted.

Note 7. Board Designated Fund (Continued)

The Board designated fund is net assets without donor restrictions. Changes in the Board designated fund are as follows for the years ended September 30, 2019 and 2018:

	2019	2018
Board designated fund, beginning of year	$ 8,486,598	$ 8,480,177
Investment income	419,646	193,245
Management account fees	(15,580)	(9,720)
Net unrealized/realized gains (losses)	348,280	(177,104)
Contribution to Board Designated	-	-
Board designated fund, end of year	$ 9,238,944	$ 8,486,598

Note 8. Line of Credit

The line of credit was renewed in January 2020 for $3,000,000 with a variable interest rate equal to London Interbank Offered Rate (LIBOR) plus 1.35% and an expiration date of January 31, 2021. Investments are used as a collateral for this line of credit. As of September 30, 2019 and 2018, there were no balances due on the line of credit.

Note 9. Lease Commitments

On September 1, 2015, Rare entered into an operating lease agreement for office space in Arlington, Virginia. The lease term commenced on December 1, 2015, and ends on November 30, 2025.

Rare also leases office space at other locations, as well as storage and miscellaneous furnishings and equipment under various non-cancelable operating leases. All lease expenditures are recognized on a straight-line basis ratably over the term of the lease. The difference between the straight-line expense and the required lease payment is reflected as deferred rent and is included in the liabilities in the accompanying consolidated balance sheets.

Future minimum lease payments related to these leases are as follows:

Years ending September 30:	
2020	$ 1,421,862
2021	1,410,014
2022	1,438,865
2023	1,402,262
2024	1,437,319
2025	1,473,252
	$ 8,583,574

During the years ended September 30, 2019 and 2018, rent expense was $1,427,876 and $1,440,176, respectively. The Arlington headquarters office rent charges include standard operating expenses.

Note 10. Employee Benefit Plans

Rare sponsors a defined-contribution retirement plan under Section 401(k) of the IRC for all employees who meet certain service requirements. The plan provides for employee contributions not to exceed annual limits as determined by the Internal Revenue Service (IRS). In 2019 and 2018, Rare contributed 3% of base salary for all eligible employees and matched 4% of each employee's contribution. Employees are vested in the employer contributions after two years of service. Retirement plan expense for the years ended September 30, 2019 and 2018, was $506,781 and $408,922, respectively.

During 2003, Rare established a non-qualified deferred compensation plan, the International Retirement Savings Plan (IRSP), to cover all foreign employees who meet certain service requirements. There are no employee contributions allowed under the IRSP plan. Rare contributes 3% of compensation for all eligible employees and increases its contribution to 7% of compensation after completion of two years of service. New participants to the plan vest over five years. At September 30, 2019 and 2018, the value of the IRSP was $806,662 and $913,772, respectively. There is a corresponding deferred compensation liability in the same amount that is included in deferred compensation liabilities on the consolidated balance sheets.

During 2011, Rare established a 457(f), non-qualified compensation plan, for certain key employees. This plan is funded annually based on an amount that is approved by the Board. For the years ended September 30, 2019 and 2018, $97,380 and $140,993, respectively, was approved and funded. As of September 30, 2019 and 2018, the 457(f) liability amounted to $373,379 and $417,158, respectively.

Rare also established a Section 457(b) supplemental employee retirement plan (the Plan). Under the terms of the Plan, eligible employees elect to deposit a percentage of their compensation into the Plan, subject to IRS limits. Employee deposits and accumulations are accounted for as an asset and offsetting liability on Rare's consolidated balance sheets until they are distributed to the participants. The amount of deposits and related accumulations were $196,265 and $234,305 at September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, the 457(b) liability amounted to $196,265 and $234,305, respectively.

The assets held for deferred compensation and the deferred compensation liabilities at September 30, 2019 and 2018, are as follows:

	2019	
	Asset	Liability
IRSP Plan	$ 806,611	$ 806,611
457(b) Plan	196,265	196,265
457(f) Plan	373,379	373,379
	$ 1,376,255	$ 1,376,255

	2018	
	Asset	Liability
IRSP Plan	$ 913,772	$ 913,772
457(b) Plan	234,305	234,305
457(f) Plan	417,158	417,158
	$ 1,565,235	$ 1,565,235

Note 11. Contributed Service and Materials

During the years ended September 30, 2019 and 2018, the value of contributed services and materials was as follows:

	2019		
	Program Services	Administrative	Total
Consulting and contract fees	$ 133,449	$ -	$ 133,449

	2018		
	Program Services	Administrative	Total
Consulting and contract fees	$ 128,320	$ -	$ 128,320
In-country direct contributions	660,706	-	660,706
	$ 789,026	$ -	$ 789,026

Direct cash contributions are distinguished from in-kind donations when funds are paid directly in-country by a third party on behalf of the project, rather than for the provision of goods and services.

Note 12. Contingency

Rare participates in a number of federally-assisted grant programs which are subject to financial and compliance audits by the federal government or its representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

Note 13. Liquidity

The following represents Rare's financial assets at September 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	$ 7,491,342
Grants and contributions receivable, net	19,092,688
Investments	9,064,092
Total financial assets available	35,648,122
Less amounts not available to be used within one year:	
Refundable advances	(4,794,135)
Board designated net assets	(9,238,944)
Net assets with donor restrictions for specific programs	(13,994,573)
Net assets with donor restrictions for time over one year	(1,768,427)
	5,852,043
Available borrowing on line of credit	3,000,000
Financial assets available to meet operating needs within one year	$ 8,852,043

Independent Auditor's Report on the Supplementary Information

Board of Trustees
Rare

We have audited the consolidated financial statements (the financial statements) of Rare as of and for the years ended September 30, 2019 and 2018, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating and other information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual entities and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating and other information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

RSM US LLP

McLean, Virginia
June 12, 2020

Rare and Affiliates

Consolidating Balance Sheet
September 30, 2019

	Rare	Meloy Fund I G.P.	Meloy Fund I L.P.	Elimination	Total
Assets					
Operating assets:					
Cash and cash equivalents	$ 7,075,846	$ 415,496	$ -	$ -	$ 7,491,342
Grants and contributions receivable, net	19,210,297	-	-	(117,609)	19,092,688
Contracts receivable, Meloy Fund I G.P.	-	171,758	-	(171,758)	-
Prepaid expenses and other assets	452,624	-	-	-	452,624
Program related investment loan	239,108	-	-	-	239,108
Investments	9,064,092	-	-	-	9,064,092
Investments, Meloy Fund I G.P.	-	3,303,688	-	(3,268,750)	34,938
Assets held for deferred compensation	1,376,255	-	-	-	1,376,255
Property and equipment, net	205,565	-	-	-	205,565
Total operating assets	37,623,787	3,890,942	-	(3,558,117)	37,956,612
Portfolio assets – Meloy Fund I L.P.:					
Cash and cash equivalents	-	-	2,153,985	-	2,153,985
Invested funds due from Meloy Fund I G.P.	-	-	3,268,750	-	3,268,750
Capital call receivable	-	-	100,000	-	100,000
Other assets	-	-	163,286	(39,207)	124,079
Debt investment receivables, at fair value	-	-	1,813,542	-	1,813,542
Total portfolio assets	-	-	7,499,563	(39,207)	7,460,356
Total assets	$ 37,623,787	$ 3,890,942	$ 7,499,563	$ (3,597,324)	$ 45,416,968
Liabilities and Net Assets					
Operating liabilities:					
Accounts payable and accrued expenses	$ 3,361,274	$ 159,625	$ -	$ (156,816)	$ 3,364,083
Refundable advances	4,574,307	219,828	-	-	4,794,135
Invested funds due to Meloy Fund I L.P.	-	3,268,750	-	(3,268,750)	-
Deferred compensation liabilities	1,376,255	-	-	-	1,376,255
Total operating liabilities	9,311,836	3,648,203	-	(3,425,566)	9,534,473
Portfolio liabilities – Meloy Fund I L.P.:					
Accounts payable and accrued expenses	-	-	267,108	(171,758)	95,350
Capital paid in advance	-	-	5,148,750	-	5,148,750
Total portfolio liabilities	-	-	5,415,858	(171,758)	5,244,100
Total liabilities	9,311,836	3,648,203	5,415,858	(3,597,324)	14,778,573
Net assets:					
Without donor restrictions					
Undesignated	412,007	242,739	-	-	654,746
Designated by the Board	9,238,944	-	-	-	9,238,944
Total Rare net assets without donor restrictions	9,650,951	242,739	-	-	9,893,690
Noncontrolling interest in Meloy Fund I L.P. (Note 3)	-	-	2,083,705	-	2,083,705
Total net assets without donor restrictions	9,650,951	242,739	2,083,705	-	11,977,395
With donor restrictions	18,661,000	-	-	-	18,661,000
Total net assets	28,311,951	242,739	2,083,705	-	30,638,395
Total liabilities and net assets	$ 37,623,787	$ 3,890,942	$ 7,499,563	$ (3,597,324)	$ 45,416,968

Rare and Affiliates

Consolidating Statement of Activities
Year Ended September 30, 2019

	Rare	Meloy Fund I G.P.	Meloy Fund I L.P.	Elimination	Total
Operating support and revenue:					
Grants and contributions	$ 36,825,107	$ 55,452	$ -	$ (288,803)	$ 36,591,756
In-country grants and contributions	-	-	-	-	-
Contributed services and materials	133,449	-	-	-	133,449
Management fees and other revenue	-	262,613	-	(262,613)	-
Total operating support and revenue	36,958,556	318,065	-	(551,416)	36,725,205
Operating expenses:					
Sustainable Fisheries and Agriculture	12,373,479	-	-	-	12,373,479
Climate Change	3,184,546	-	-	-	3,184,546
Innovative Finance	3,688,364	298,640	383,182	(551,416)	3,818,770
Center for Behavior and Environment	3,129,517	-	-	-	3,129,517
Fundraising	2,331,385	-	-	-	2,331,385
Administrative	2,549,864	-	-	-	2,549,864
Total operating expenses	27,257,155	298,640	383,182	(551,416)	27,387,561
Other income:					
Rental income	168,393	-	-	-	168,393
Investment income	791,877	132,888	-	-	924,765
	960,270	132,888	-	-	1,093,158
Changes in net assets before noncontrolling interest	10,661,671	152,313	(383,182)	-	10,430,802
Other:					
Meloy Fund I L.P.					
Portfolio interest	-	-	218,315	-	218,315
Change in unrealized loss on privately held securities	-	-	142,044	-	142,044
	-	-	360,359	-	360,359
Changes in net assets before contributions by limited partners	10,661,671	152,313	(22,823)	-	10,791,161
Contributions by limited partners	-	-	663,000	-	663,000
Change in net assets	10,661,671	152,313	640,177	-	11,454,161
Net assets:					
Beginning	17,650,280	90,426	1,443,528	-	19,184,234
Ending	$ 28,311,951	$ 242,739	$ 2,083,705	$ -	$ 30,638,395