Rare and Affiliates

Consolidated Financial Report
September 30, 2022

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Independent Auditor's Report

Board of Trustees
Rare

Opinion
We have audited the consolidated financial statements of Rare and Affiliates (collectively, Rare), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rare as of September 30, 2022 and 2021, and the changes 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.

We did not audit the financial statements of The Meloy Fund I, L.P., (the Fund), a wholly owned affiliate, whose statements reflect total assets constituting 30% of total consolidated assets at September 30, 2022, and total support and revenue constituting 0% of consolidated total support and revenue for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the Fund, is based solely on the report of the other auditors.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Rare and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Rare's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS, 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 Rare'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 Rare'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.

RSM US LLP

McLean, Virginia
November 10, 2023

Rare and Affiliates

Consolidated Balance Sheets
September 30, 2022 and 2021

	2022	2021
Assets		
Operating assets:		
Cash and cash equivalents	**$ 11,243,556**	$ 16,381,550
Grants and contributions receivable, net	**15,102,662**	19,176,808
Prepaid expenses and other assets	**1,022,655**	368,554
Program-related investment loan	**228,619**	382,907
Investments	**8,782,745**	9,343,811
Assets held for deferred compensation	**1,313,153**	1,433,558
Property and equipment, net	**39,938**	48,178
Total operating assets	**37,733,328**	47,135,366
Portfolio assets—Meloy Fund I L.P. (Notes 1 and 3):		
Cash and cash equivalents	**2,821,377**	3,754,345
Capital call receivable	**-**	955,500
Other assets	**419,638**	194,211
Investment in privately held securities, at fair value (cost $10,699,686 and $9,036,655, respectively)	**13,898,733**	8,509,439
Total portfolio assets	**17,139,748**	13,413,495
Total assets	**$ 54,873,076**	$ 60,548,861
Liabilities and Net Assets		
Operating liabilities:		
Accounts payable and accrued expenses	**$ 3,530,005**	$ 3,162,347
Small Business Administration loan payable (Note 6)	**-**	1,673,982
Refundable advances	**4,433,527**	4,329,705
Deferred rent	**797,958**	978,352
Deferred compensation liabilities	**1,313,153**	1,433,558
Total operating liabilities	**10,074,643**	11,577,944
Portfolio liabilities—Meloy Fund I L.P. (Notes 1 and 3):		
Accounts payable and accrued expenses	**200,977**	292,615
Capital paid in advance	**2,646,537**	2,946,750
Line of credit	**1,000,000**	1,000,000
Total portfolio liabilities	**3,847,514**	4,239,365
Total liabilities	**13,922,157**	15,817,309
Commitments and contingencies (Notes 9, 10 and 13)		
Net assets:		
Without donor restrictions:		
Undesignated	**3,060,288**	3,743,257
Designated by the board of trustees	**8,877,970**	9,415,545
Total Rare net assets without donor restrictions	**11,938,258**	13,158,802
Noncontrolling interest in Meloy Fund I L.P. (Note 3)	**12,701,590**	9,136,785
Total net assets without donor restrictions	**24,639,848**	22,295,587
With donor restrictions	**16,311,071**	22,435,965
Total net assets	**40,950,919**	44,731,552
Total liabilities and net assets	**$ 54,873,076**	$ 60,548,861

See notes to consolidated financial statements.

Rare and Affiliates

Consolidated Statements of Activities
Years Ended September 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restriction	With Donor Restrictions	Total
Operating support and revenue:						
Grants and contributions	**$ 6,663,215**	**$ 15,589,441**	**$ 22,252,656**	$ 3,441,149	$ 31,171,604	$ 34,612,753
Paycheck Protection Program loan forgiveness (Note 6)	**1,683,088**	**-**	**1,683,088**	1,688,291	-	1,688,291
Program service revenue	**478,555**	**-**	**478,555**	918,826	-	918,826
Contributions of nonfinancial assets	**83,276**	**-**	**83,276**	158,889	-	158,889
Other income	**2,491**	**-**	**2,491**	79,698	-	79,698
Net assets released from purpose restrictions	**17,054,335**	**(17,054,335)**	**-**	17,366,712	(17,366,712)	-
Net assets released from time restrictions	**4,660,000**	**(4,660,000)**	**-**	7,380,000	(7,380,000)	-
Total operating support and revenue	**30,624,960**	**(6,124,894)**	**24,500,066**	31,033,565	6,424,892	37,458,457
Operating expenses:						
Sustainable fisheries	**12,185,030**	**-**	**12,185,030**	12,486,213	-	12,486,213
Climate change	**6,456,417**	**-**	**6,456,417**	4,758,517	-	4,758,517
Conservation finance	**3,804,787**	**-**	**3,804,787**	3,314,814	-	3,314,814
Center for behavior and environment	**3,702,031**	**-**	**3,702,031**	3,458,171	-	3,458,171
Administrative	**2,878,872**	**-**	**2,878,872**	2,711,249	-	2,711,249
Fundraising	**2,766,738**	**-**	**2,766,738**	2,296,290	-	2,296,290
Total operating expenses	**31,793,875**	**-**	**31,793,875**	29,025,254	-	29,025,254
Other (loss) income:						
Rental income	**156,401**	**-**	**156,401**	208,347	-	208,347
Contingent loss	**(982,024)**	**-**	**(982,024)**	-	-	-
Investment loss	**(466,433)**	**-**	**(466,433)**	(8,838)	-	(8,838)
	(1,292,056)	**-**	**(1,292,056)**	199,509	-	199,509
Changes in net assets before noncontrolling interest	**(2,460,971)**	**(6,124,894)**	**(8,585,865)**	2,207,820	6,424,892	8,632,712
Meloy Fund I L.P. :						
Portfolio interest	**831,355**	**-**	**831,355**	224,340	-	224,340
Realized loss on privately held security	**(600,000)**	**-**	**(600,000)**	-	-	-
Change in unrealized gain on privately held securities	**3,726,264**	**-**	**3,726,264**	605,790	-	605,790
	3,957,619	**-**	**3,957,619**	830,130	-	830,130
Changes in net assets before contributions by limited partners	**1,496,648**	**(6,124,894)**	**(4,628,246)**	3,037,950	6,424,892	9,462,842
Contributions by limited partners	**847,613**	**-**	**847,613**	5,967,000	-	5,967,000
Change in net assets	**2,344,261**	**(6,124,894)**	**(3,780,633)**	9,004,950	6,424,892	15,429,842
Net assets:						
Beginning	**22,295,587**	**22,435,965**	**44,731,552**	13,290,637	16,011,073	29,301,710
Ending	**$ 24,639,848**	**$ 16,311,071**	**$ 40,950,919**	$ 22,295,587	$ 22,435,965	$ 44,731,552

See notes to consolidated financial statements.

Rare and Affiliates

Consolidated Statement of Functional Expenses
Year Ended September 30, 2022

	Program Services					Supporting Services		
	Sustainable Fisheries	Climate Change	Conservation Finance	Center for Behavior and the Environment	Total Program Services	Administrative	Fundraising	Total
Salaries and benefits	$ 7,351,009	$ 3,461,386	$ 1,034,551	$ 2,499,843	$ 14,346,789	$ 2,015,168	$ 2,207,586	$ 18,569,543
Consulting and professional fees	2,381,988	2,140,933	2,471,357	606,707	7,600,985	325,924	225,499	8,152,408
Travel and meetings	1,029,109	175,061	20,264	109,810	1,334,244	106,373	118,241	1,558,858
Subgrants and awards	581,347	244,198	104,663	149,763	1,079,971	-	-	1,079,971
Occupancy costs	484,393	251,973	79,903	287,111	1,103,380	153,872	164,950	1,422,202
Supplies	189,774	103,437	1,091	1,114	295,416	6,302	4,342	306,060
Professional development	17,863	6,221	9,288	8,578	41,950	18,522	11,009	71,481
Equipment and materials	51,906	20,372	3,258	23,207	98,743	56,099	10,687	165,529
Communications	60,023	7,194	1,527	3,744	72,488	29,974	4,661	107,123
Depreciation and amortization	-	-	-	-	-	22,173	-	22,173
Postage and printing	18,910	14,564	114	2,587	36,175	11,356	3,397	50,928
Bank and other fees	16,985	30,769	9,624	9,258	66,636	82,644	16,366	165,646
Insurance	1,723	309	69,147	309	71,488	50,465	-	121,953
Total	$ 12,185,030	$ 6,456,417	$ 3,804,787	$ 3,702,031	$ 26,148,265	$ 2,878,872	$ 2,766,738	$ 31,793,875

See notes to consolidated financial statements.

Rare and Affiliates

Consolidated Statement of Functional Expenses
Year Ended September 30, 2021

	Program Services					Supporting Services		
	Sustainable Fisheries	Climate Change	Conservation Finance	Center for Behavior and the Environment	Total Program Services	Administrative	Fundraising	Total
Salaries and benefits	$ 7,244,045	$ 2,488,341	$ 1,181,245	$ 2,448,632	$ 13,362,263	$ 2,086,196	$ 1,993,590	$ 17,442,049
Consulting and professional fees	2,274,390	1,957,512	1,922,114	631,231	6,785,247	308,352	136,776	7,230,375
Travel and meetings	1,425,754	40,185	8,456	34,405	1,508,800	9,477	9,204	1,527,481
Subgrants and awards	353,977	8,350	-	32,500	394,827	-	-	394,827
Occupancy costs	643,913	167,192	85,983	270,563	1,167,651	165,607	127,973	1,461,231
Supplies	217,051	49,668	10,340	3,380	280,439	4,600	1,010	286,049
Professional development	11,157	2,855	2,540	7,382	23,934	16,737	2,949	43,620
Equipment and materials	165,951	13,673	2,887	18,855	201,366	19,407	9,504	230,277
Communications	68,518	7,719	1,818	3,582	81,637	37,597	5,627	124,861
Depreciation and amortization	20,338	7,340	3,135	4,511	35,324	11,018	4,376	50,718
Postage and printing	44,581	8,660	46	761	54,048	8,570	3,210	65,828
Bank and other fees	6,486	6,245	43,005	2,369	58,105	9,981	2,071	70,157
Insurance	10,052	777	53,245	-	64,074	33,707	-	97,781
Total	$ 12,486,213	$ 4,758,517	$ 3,314,814	$ 3,458,171	$ 24,017,715	$ 2,711,249	$ 2,296,290	$ 29,025,254

See notes to consolidated financial statements.

Rare and Affiliates

Consolidated Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets before contributions by limited partners	$ (4,628,246)	$ 9,462,842
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Gain on loan forgiveness	(1,683,088)	(1,673,982)
Depreciation and amortization	22,173	50,718
(Decrease) increase in the allowance for doubtful accounts	(35,359)	41,977
Decrease in discount on pledges	(17,562)	(28,184)
Net realized and unrealized losses (gains)	811,703	(68,747)
Change in unrealized gain on privately held securities	(3,726,264)	(605,790)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable, net	4,127,067	(5,854,211)
Prepaid expenses and other assets	(654,101)	116,337
Program related investment loan	154,288	144,398
Increase (decrease) in:		
Accounts payable and accrued expenses	367,658	1,935,555
Refundable advances	103,822	(1,058,487)
Deferred rent	(180,394)	(151,899)
Deferred compensation liabilities	(120,405)	121,054
Net cash (used in) provided by operating activities	(5,458,708)	2,431,581
Cash flows from investing activities:		
Purchase of investments	(1,388,991)	(7,660,445)
Proceeds from sale of investments	1,329,195	7,513,965
Purchase of property and equipment	(13,933)	-
Capital contributions received in advance	(300,213)	(1,620,000)
Purchases of privately held securities	(5,324,076)	(5,448,326)
Net cash used in investing activities	(5,698,018)	(7,214,806)
Cash flows from financing activities:		
Proceeds from Small Business Administration loan	-	1,673,982
Changes in operating assets and liabilities for Meloy Fund I L.P.	1,221,097	(925,679)
Principal repayments related to privately held securities	3,017,054	389,645
Contribution by limited partners	847,613	5,967,000
Proceeds from line of credit	-	800,000
Net cash provided by financing activities	5,085,764	7,904,948
Net (decrease) increase in cash and cash equivalents	(6,070,962)	3,121,723
Cash and cash equivalents:		
Beginning	20,135,895	17,014,172
Ending	$ 14,064,933	$ 20,135,895
Cash and cash equivalents—operating	$ 11,243,556	$ 16,381,550
Cash and cash equivalents—portfolio	2,821,377	3,754,345
	$ 14,064,933	$ 20,135,895
Reduction of Small Business Administration loan via forgiveness	$ 1,683,088	$ 1,673,982

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Rare and Affiliates (Rare) is a nonprofit conservation organization that is solution-oriented and committed to 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 (IRC) and a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi).

Rare has offices in the USA, Brazil, China, Philippines, Mozambique, Indonesia, Colombia, Germany, Honduras, Myanmar and Mexico.

Rare is a global leader in driving social change to protect the environment. We have helped thousands of people across hundreds of communities in over 60 countries shift their behaviors and practices to protect the nature that sustains their lives, livelihoods and communities.

Rare inspires change so people and nature thrive. Using insights from behavioral and social science and design thinking, Rare empowers shifts in individual and community behavior that benefit people and nature. Rare trains local leaders to lead change, leaving a legacy of increased capacity and a sense of ownership, responsibility and pride in the protection of our shared environment.

Today, Rare is merging decades of experience from the frontlines of conservation, strong global partnerships and expertise in translating behavioral research into action to build the social, ecological and political networks to scale our impact across regions, nations and the world.

Unique Impact, LLC (the Management Company) (formerly Rare Ventures, LLC), Meloy Fund I, G.P., LLC (the General Partner) and Meloy Fund I, L.P. (the Fund): 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 Fund, a Delaware limited partnership as an independent 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 General Partner, a Delaware limited liability company, was formed in 2017 as a wholly owned subsidiary of Rare to serve as 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, the Fund and the Management Company are consolidated with Rare.

A summary of Rare’s significant accounting policies follows:

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.

Basis of presentation: The consolidated financial statement presentation follows the recommendation of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this ASC, Rare is required to report information regarding its financial position and activities according to the two classes of net assets, net assets without donor restrictions and with donor restrictions.

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

Net assets: Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of Rare. 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 Rare'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 $8,877,970 and $9,136,785 at September 30, 2022 and 2021, 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 consolidated statements of activities as net assets released from restrictions. There are no net assets that are permanently restricted.

Although the noncontrolling interest in the Fund is shown on the consolidated balance sheets 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.

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, 2022 and 2021, this balance included cash and demand bank deposits.

Foreign operations: The accompanying consolidated financial statements include the worldwide operations of Rare and other entities owned and/or controlled by Rare. At September 30, 2022 and 2021, assets held in non-US countries totaled $754,394 and $665,010, 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. Management considers the financial risk exposure on cash to be minimal.

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 $193,290 and $227,649 at September 30, 2022 and 2021, respectively. Conditional promises to give are not reported as revenue until the conditions are substantially met.

Revenue: Revenue is recorded based on the accrual basis of accounting. Revenue from contracts with customers is derived primarily from program service fees.

Rare's contract services that fall within the scope of ASC 606 are included in program service fees on the consolidated statements of activities. Program service fees represent performance obligations where the customer has contracted with Rare to provide a service in exchange for a transaction price. Rare allocates the transaction price to the performance obligations and recognizes the revenue when each performance obligation is met. Current contracts include services to develop programs, manuals, feasibility studies and training materials and have a duration of less than one year.

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

For the years ended September 30, 2022 and 2021, $350,629 and $918,826, respectively, was recognized as program service fees. Revenue is recognized over the period the services are provided in an amount that reflects the consideration Rare is entitled to in exchange for those services. Typically, services are billed monthly based on either a contracted fixed fee schedule or actual expense incurred.

Rare records deferred revenue in situations when amounts are invoiced or received but the performance obligation is not met. Such revenue is recognized when the performance obligation is subsequently met. Rare did not have any deferred revenue related to program services as of September 30, 2022 and 2021.

Rare did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers.

Finally, there are no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers.

Investments: Investments consist primarily of fixed income securities carried at fair value based on quoted market prices as described in Note 2. To adjust the carrying value of these investments, the change in fair 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.

The Meloy Fund, L.P. invests in privately held debt and equity securities. Securities for which no public market exists are valued at fair value. The fair value is generally cost until events indicate that cost is no longer the best measure of fair value. The inherent uncertainty in the process of valuing securities for which a ready market does not exist may cause the estimated values of these securities to differ significantly from the values that would have been derived had a ready market existed, and those differences could be material. As of September 30, 2022, the net realized and unrealized loss was $811,703, including $600,000 of realized losses. As of September 30, 2021, the net realized and unrealized gain was $93,382.

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 10 years. The cost of maintenance and repairs is recorded as an expense.

Subgrants and awards: Rare recognizes expenses for subgrants and awards at the time the subgrantee 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.

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

Deferred rent: Rare's lease agreements include certain rent abatements and an escalation clause. Minimum rent is expensed on a straight-line basis over the term of the lease; therefore, a deferred rent liability is reflected in the consolidated balance sheets for rent expensed in excess of rent paid under the lease. The deferred amount is amortized equally over the life of the lease as a reduction of rent expense. Rare amortized $180,394 and $151,899 of deferred rent for the years ended September 30, 2022 and 2021, respectively.

Contributions of nonfinancial assets: Contributions of nonfinancial assets consist of services and 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 nonfinancial assets 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 in conformity with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. 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-U.S. 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 sheets dates 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 year ended September 30, 2022, was $51,922 and for the year ended September 30, 2021, there was a gain of $38,835. Gains and losses from foreign currency translation are included in the bank and other fees in the consolidated statements of functional expenses.

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 and travel 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.

Capital paid in advance: Capital paid in advance are payments received from the Fund investors in advance of a capital call. The Fund, an entity controlled by Rare, recognizes capital paid in advance as a liability when the payment is received. Capital paid in advance funds are held by the Fund until a subsequent capital call event whereby funds held are drawn to meet the investment obligation.

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

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 sheets 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 consolidated 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 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.

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 derecognition, classification, interest and penalties on income taxes and accounting in interim periods. As of September 30, 2022, 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 2018.

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.

Reclassification: Certain summarized 2021 amounts have been reclassified to conform to the 2022 presentation. These reclassifications had no effect on previously reported change in net assets or net assets.

Adopted accounting pronouncement: In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The update was applied on a retrospective basis to the contributions recognized in the years ended September 30, 2022 and 2021.

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

Recent accounting pronouncements: In February 2016, the FASB issued ASU 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 consolidated balance sheets 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 consolidated statements of activities. 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 consolidated 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.

Subsequent events: Rare has evaluated subsequent events through November 10, 2023, the date on which the consolidated financial statements were available to be issued.

Note 2. Investments and Fair Value Measurements

Investments at September 30, 2022 and 2021, consist of the following:

	2022	2021
Corporate bonds	$ 2,461,777	$ 3,159,800
Equity	835,114	708,371
Mutual funds—fixed income	5,485,854	5,475,640
	$ 8,782,745	$ 9,343,811
Investments held for Meloy Fund I L.P.	13,898,733	8,509,439
	$ 22,681,478	$ 17,853,250

Investment income for the years ended September 30, 2022 and 2021, consists of the following:

	2022	2021
Dividends and interest	$ 1,189,572	$ 163,653
Net realized and unrealized (loss) gain	(811,703)	68,747
Unrealized gain on privately held securities	3,726,264	605,790
Investment fees	(12,947)	(16,898)
	$ 4,091,186	$ 821,292

The ASC Topic on Fair Value Measurement establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. This enables the reader of the consolidated 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.

Note 2. Investments and Fair Value Measurements (Continued)

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, 2022 and 2021.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy at September 30, 2022 and 2021:

	2022			
Description	Total	Level 1	Level 2	Level 3
Corporate bonds	$ 2,461,888	$ -	$ 2,461,888	$ -
Equity	835,114	835,114	-	-
Mutual funds	5,485,743	5,485,743	-	-
Other investments measured at net asset value (a)	13,898,733	-	-	-
	22,681,478	6,320,857	2,461,888	-
Employee benefit plan:				
Mutual funds	1,313,153	1,313,153	-	-
Total assets	$ 23,994,631	$ 7,634,010	$ 2,461,888	$ -
Deferred compensation liabilities	$ 1,313,153	$ -	$ 1,313,153	$ -

	2021			
Description	Total	Level 1	Level 2	Level 3
Corporate bonds	$ 3,159,800	$ -	$ 3,159,800	$ -
Equity	708,371	708,371	-	-
Mutual funds	5,475,640	5,475,640	-	
Other investments measured at net asset value (a)	8,509,439	-	-	-
	17,853,250	6,184,011	3,159,800	-
Employee benefit plan:				
Mutual funds	1,433,558	1,433,558	-	-
Total assets	$ 19,286,808	$ 7,617,569	$ 3,159,800	$ -
Deferred compensation liabilities	$ 1,433,558	$ -	$ 1,433,558	$ -

(a) In accordance with ASC 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 sheets.

Note 2. Investments and Fair Value Measurements (Continued)

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

Corporate bonds are included in Level 2 assets as they are not actively traded. The fair 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.

Investments in privately held securities: 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.

Management reviewed the collectability of the investment in privately held securities and reduced the FY21 bad debt allowance from $1,133,007 to $240,310 in FY22. The fair value of the investment in privately held securities on September 30, 2022 and 2021, was $13,898,733 and $8,509,439, respectively. The balance consists of $6,577,799 of debt securities and $7,320,934 of equity securities.

The following is a reconciliation of the beginning and ending balances of private investments in securities measured at fair value.

	2022	2021
Balance, October 1	$ 8,509,439	$ 2,762,009
New investments	5,280,084	5,531,285
Principal repayments	(3,017,054)	(389,645)
Realized loss	(600,000)	-
Unrealized gain	3,726,264	605,790
Balance, September 30	$ 13,898,733	$ 8,509,439

Scheduled repayments of debt investments, at cost as of September 30, 2022, are as follows:

Years ending September 30:	
2023	$ 653,536
2024	2,627,326
2025	1,091,916
2026	516,705
2027	-
2028-2029	9,249,560
	14,139,043
Allowance for bad debt	(240,310)
	$ 13,898,733

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

Interest income on debt investments is recognized when earned. During the years ended September 30, 2022 and 2021, interest earned on debt investments was $831,355 and $224,341, 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. $180,000 was called during 2019, $582,000 during 2020, $1,620,000 during 2021 and $300,213 during 2022, leaving a balance of $2,646,537. The capital paid in advance is shown on the consolidated balance sheets as a portfolio liability held by the Meloy Fund I L.P.

Contribution by limited partners to the Meloy Fund I L.P.: The changes in the noncontrolling partners' interests in the Fund at September 30, 2022 and 2021, are as follows:

	2022	2021
Beginning balance—noncontrolling limited partners' interest in the Meloy Fund I L.P.	$ 9,136,785	$ 2,930,290
Capital contribution by noncontrolling limited partners	847,613	5,967,000
Net income attributed to noncontrolling limited partners	2,717,192	239,495
Noncontrolling limited partners' interest in the Meloy Fund I L.P.	$ 12,701,590	$ 9,136,785

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, 2020	$ 10,360,342	$ 2,930,295	$ 13,290,637
Change in net assets without donor restrictions	2,798,460	6,206,490	9,004,950
Balance, September 30, 2021	13,158,802	9,136,785	22,295,587
Change in net assets without donor restrictions	(1,220,544)	3,564,805	2,344,261
Balance, September 30, 2022	$ 11,938,258	$ 12,701,590	$ 24,639,848

Although the noncontrolling interest in the Meloy Fund I L.P. is shown on the consolidated balance sheets 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.

Note 4. Property and Equipment

Property and equipment, net of accumulated depreciation, at September 30, 2022 and 2021, consists of the following:

	2022	2021
Office furniture and equipment	$ 445,989	$ 432,055
Leasehold improvements	258,515	258,515
Website	413,340	413,340
	1,117,844	1,103,910
Less accumulated depreciation and amortization	(1,077,906)	(1,055,732)
	$ 39,938	$ 48,178

Note 4. Property and Equipment (Continued)

Depreciation expense for the years ended September 30, 2022 and 2021, was $22,173 and $50,718, respectively.

Note 5. Grants and Contributions Receivable

As of September 30, 2022 and 2021, grants and contributions receivable are due as follows:

	2022	2021
Within one year	$ 8,431,663	$ 9,268,833
One to two years	6,956,570	10,246,467
Gross grants and contributions receivable	15,388,233	19,515,300
Less present value discount at 1.3%	(93,281)	(110,843)
Less allowance for doubtful accounts	(192,290)	(227,649)
Net grants and contributions receivable	$ 15,102,662	$ 19,176,808

Conditional grants: In addition to the above balances, Rare received conditional promises to give that have not yet been recognized as of the end of the year. Those promises were $8,900,100 and $10,226,170, as of September 30, 2022 and 2021, 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. Paycheck Protection Program Loan

In March 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES) was signed into law to provide emergency assistance and health care response for individuals, families and businesses affected by the 2020 coronavirus pandemic. Under CARES, certain small businesses and organizations are eligible to receive loan funds under Section 7(a) of the Small Business Act. Loans made under this section of CARES, known as the Paycheck Protection Program (PPP), are forgivable to the extent certain requirements are met. The loan program is administered by the Small Business Administration (SBA).

Rare made an analysis of the adverse economic effect the pandemic would likely have on its operations and determined that it was eligible to apply for a PPP loan, submitted the required application and supporting documentation and received PPP loan funds in the amount of $1,673,982 on May 2, 2020. During the year ended September 30, 2020, these funds are considered to be a loan under ASC 470 until Rare receives formal forgiveness notification from SBA. Rare applied for and received loan forgiveness from the SBA on March 18, 2021, and, therefore, Rare recognized the $1,688,291 as grant revenue on the consolidated statements of activities. The loan is subject to audit by the SBA for a period of six years following forgiveness.

On March 16, 2021, Rare applied for the second PPP loan and received $1,673,982. This was recorded as a loan under ASC 470 until formal forgiveness was received from SBA. Rare submitted the request for forgiveness on December 23, 2021, and received formal forgiveness from SBA on January 16, 2022. Following notice of forgiveness, Rare recognized the $1,683,088 as grant revenue on the consolidated statements of activities.

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at September 30, 2022 and 2021:

	2022	2021
Program restricted:		
Sustainable fisheries	$ 2,174,973	$ 4,173,675
Center for behavior and the environment	4,231,229	362,610
Climate change	98,929	6,875,552
Innovative finance	576,515	437,624
Time-restricted	9,229,425	10,586,504
	$ 16,311,071	$ 22,435,965

During the years ended September 30, 2022 and 2021, net assets with donor restrictions were released from restriction as follows:

	2022	2021
Program restricted:		
Sustainable fisheries	$ 8,448,334	$ 8,337,238
Climate change	5,480,106	3,434,115
Innovative finance	635,973	3,063,556
Center for behavior and the environment	2,489,922	2,531,803
Time-restricted	4,660,000	7,380,000
	$ 21,714,335	$ 24,746,712

Note 8. 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 a quarterly 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 consolidated financial statement purposes. The board-designated account contains no contributions that are classified as either temporarily restricted or permanently restricted.

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, 2022 and 2021:

	2022	2021
Board-designated fund, beginning of year	$ 9,415,545	$ 9,463,983
Investment income	160,467	107,534
Management account fees	(12,947)	(16,898)
Net unrealized loss, net	(685,095)	(139,074)
Board-designated fund, end of year	$ 8,877,970	$ 9,415,545

Note 9. Line of Credit

During January 2021, Rare and JPM entered an evergreen contract for a $3,000,000 line of credit with a variable interest rate equal to London Interbank Offered Rate plus 1.35%. Investments are used as a collateral for this line of credit. As of September 30, 2022 and 2021, there were no balances due on the line of credit.

Note 10. 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:	
2023	$ 1,402,263
2024	1,437,319
2025	1,473,252
2026	246,544
	$ 4,559,378

During the years ended September 30, 2022 and 2021, rent expense was $1,408,565 and $1,326,715, respectively. The Arlington headquarters office rent charges include standard operating expenses.

Note 11. 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 2022 and 2021, Rare contributed 3% of base salary for all eligible employees and matched employee contribution up to 4% of base salary. Employees are vested in the employer contributions after two years of service. Retirement plan expense for the years ended September 30, 2022 and 2021, was $903,355 and $719,168, 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, 2022 and 2021, the value of the IRSP was $960,780 and $1,012,921, 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, 2022 and 2021, $118,973 and $0, respectively, was approved and funded. During 2020, one of the participants exited Rare and the accumulated balance was forfeited. As of September 30, 2022 and 2021, the 457(f) liability amounted to $276,962 and $310,247, respectively.

Note 11. Employee Benefit Plans (Continued)

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 $0 and $110,390 at September 30, 2022 and 2021, respectively. As of September 30, 2022 and 2021, the 457(b) liability amounted to $75,411 and $310,247, respectively.

The assets held for deferred compensation and the deferred compensation liabilities at September 30, 2022 and 2021, are as follows:

	2022	
	Asset	Liability
IRSP Plan	$ 960,780	$ 960,781
457(b) Plan	75,411	75,411
457(f) Plan	276,962	276,961
	$ 1,313,153	$ 1,313,153

	2021	
	Asset	Liability
IRSP Plan	$ 1,012,921	$ 1,012,921
457(b) Plan	110,390	110,390
457(f) Plan	310,247	310,247
	$ 1,433,558	$ 1,433,558

Note 12. Contributed Nonfinancial Assets

Rare reports contributions of nonfinancial assets as contribution revenue and program expense upon receipt. GAAP allows recognition of contributed services only if: (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing those skills. Rare reports contributions of nonfinancial assets as restricted support if they are received with donor-imposed time or purpose restrictions. When a donor restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying consolidated statements of activities as net assets released from restrictions. None of the contributed nonfinancial assets received were restricted in use. All contributed nonfinancial assets are used in programmatic activities.

During the years ended September 30, 2022 and 2021, the value of contributed nonfinancial assets were related to services of $83,276 and $158,889, respectively. These contributed services were included in the consulting and contract fee line on the accompanying consolidated statements of functional expense.

Note 13. Contingencies

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.

From time to time, Rare may be subject to various legal proceedings, which are incidental to the ordinary course of business. In the opinion of the management of Rare, there are no material liabilities for Rare for any of these proceedings.

Note 14. Liquidity

As of September 30, 2022 and 2021, the following assets are available to meet annual operating costs for the following fiscal year:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 11,243,556	$ 16,381,550
Grants and contributions receivable, net	15,102,662	19,176,808
Investments	8,782,745	9,343,811
Total financial assets available	35,128,963	44,902,169
Less amounts not available to be used within one year:		
Refundable advances	(4,433,527)	(4,329,705)
Net assets with donor restrictions for specific programs	(7,081,646)	(11,849,461)
Net assets with donor restrictions for time over one year	(5,469,425)	(288,500)
Financial assets available to meet operating needs within one year	$ 18,144,365	$ 28,434,503

Rare's support includes restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, Rare must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. Rare regularly monitors liquidity required to meet its needs for general expenditures, liabilities and other obligations due. Rare has net assets without donor restrictions that are used as reserves to fund program opportunities that are not currently in the budget and to cover unexpected expenses. Additionally, as described in Note 9, Rare has a $3,000,000 line of credit available to draw on to meet its needs for general expenditures, liabilities and other obligations due.

Note 15. Change in Net Assets

For the year ended September 30, 2022, the change in net assets was a loss of $3,780,633. The loss is due to a timing difference in recognizing revenue and related expenses. Revenue that was recognized in prior years was expensed in the current year resulting in a current-year loss. Since revenue is recognized in the year unconditional promises to give are received from the grantor/donor, it is expected that some years will show net increases in net assets and other years will show net decreases.

RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Trustees
Rare

We have audited the consolidated financial statements of Rare and Affiliates as of and for the years ended September 30, 2022 and 2021, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and other supplementary 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 consolidated 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 consolidated financial statements. The consolidating and other supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

RSM US LLP

McLean, Virginia
November 10, 2023

Rare and Affiliates

Consolidating Balance Sheet
September 30, 2022

	Rare	Unique Impact (formally, Rare Ventures, LLC)	Meloy Fund I G.P.	Meloy Fund I L.P.	Elimination	Total
Assets						
Operating assets:						
Cash and cash equivalents	$ 11,044,660	$ 9,343	$ 189,553	$ -	$ -	$ 11,243,556
Grants and contributions receivable, net	14,905,449	100,000	97,213	-	-	15,102,662
Related party receivables	731,606	136,329	590,644	-	(1,458,579)	-
Prepaid expenses and other assets	1,022,655	-	-	-	-	1,022,655
Program related investment loan	228,619	-	-	-	-	228,619
Investments	8,782,745	-	-	-	-	8,782,745
Assets held for deferred compensation	1,313,153	-	-	-	-	1,313,153
Property and equipment, net	39,938	-	-	-	-	39,938
Total operating assets	38,068,825	245,672	877,410	-	(1,458,579)	37,733,328
Portfolio assets—Meloy Fund I L.P.:						
Cash and cash equivalents	-	-	-	2,821,377	-	2,821,377
Other assets	-	-	-	419,638	-	419,638
Debt investment receivables, at fair value	-	-	-	13,898,733	-	13,898,733
Total portfolio assets	-	-	-	17,139,748	-	17,139,748
Total assets	$ 38,068,825	$ 245,672	$ 877,410	$ 17,139,748	$ (1,458,579)	$ 54,873,076
Liabilities and Net Assets						
Operating liabilities:						
Accounts payable and accrued expenses	$ 3,393,810	$ 23,300	$ 112,895	$ -	$ -	$ 3,530,005
Refundable advances	4,091,557	-	341,970	-	-	4,433,527
Deferred rent	797,958	-	-	-	-	797,958
Related party transactions	136,329	241,342	490,264	590,644	(1,458,579)	-
Deferred compensation liabilities	1,313,153	-	-	-	-	1,313,153
Total operating liabilities	9,732,807	264,642	945,129	590,644	(1,458,579)	10,074,643
Portfolio liabilities—Meloy Fund I L.P.:						
Accounts payable and accrued expenses	-	-	-	200,977	-	200,977
Capital paid in advance	-	-	-	2,646,537	-	2,646,537
Line of credit payable	-	-	-	1,000,000	-	1,000,000
Total portfolio liabilities	-	-	-	3,847,514	-	3,847,514
Total liabilities	9,732,807	264,642	945,129	4,438,158	(1,458,579)	13,922,157
Net assets:						
Without donor restrictions:						
Undesignated	3,146,977	(18,970)	(67,719)	-	-	3,060,288
Designated by the board of trustees	8,877,970	-	-	-	-	8,877,970
Total Rare net assets without donor restrictions	12,024,947	(18,970)	(67,719)	-	-	11,938,258
Noncontrolling interest in Meloy Fund I L.P. (Note 3)	-	-	-	12,701,590	-	12,701,590
Total net assets without donor restrictions	12,024,947	(18,970)	(67,719)	12,701,590	-	24,639,848
With donor restrictions	16,311,071	-	-	-	-	16,311,071
Total net assets	28,336,018	(18,970)	(67,719)	12,701,590	-	40,950,919
Total liabilities and net assets	$ 38,068,825	$ 245,672	$ 877,410	$ 17,139,748	$ (1,458,579)	$ 54,873,076

Rare and Affiliates

Consolidating Statement of Activities
Year Ended September 30, 2022

	Rare	Unique Impact (formally, Rare Ventures, LLC)	Meloy Fund I G.P.	Meloy Fund I L.P.	Elimination	Total
Operating support and revenue:						
Grants and contributions	$ 22,252,656	$ -	$ -	$ -	$ -	$ 22,252,656
Paycheck Protection Program loan forgiveness	1,683,088	-	-	-	-	1,683,088
Contributions of nonfinancial assets	83,276	-	-	-	-	83,276
Program service revenue	137,257	228,257	428,799	-	(315,758)	478,555
Management fees and other revenue	2,491	-	867,660	-	(867,660)	2,491
Total operating support and revenue	24,158,768	228,257	1,296,459	-	(1,183,418)	24,500,066
Operating expenses:						
Sustainable fisheries and agriculture	12,185,030	-	-	-	-	12,185,030
Climate change	6,456,417	-	-	-	-	6,456,417
Conservation finance	1,923,825	381,104	1,442,849	1,240,427	(1,183,418)	3,804,787
Center for behavior and environment	3,702,031	-	-	-	-	3,702,031
Administrative	2,766,738	-	-	-	-	2,766,738
Fundraising	2,878,872	-	-	-	-	2,878,872
Total operating expenses	29,912,913	381,104	1,442,849	1,240,427	(1,183,418)	31,793,875
Other (loss) income:						
Rental income	156,401	-	-	-	-	156,401
Contingent loss	(982,024)	-	-	-	-	(982,024)
Investment (loss) income	(481,061)	-	14,628	-	-	(466,433)
	(1,306,684)	-	14,628	-	-	(1,292,056)
Changes in net assets before noncontrolling interest	(7,060,829)	(152,847)	(131,762)	(1,240,427)	-	(8,585,865)
Other:						
Meloy Fund I L.P.:						
Portfolio interest	-	-	-	831,355	-	831,355
Realized loss on privately held security	-	-	-	(600,000)	-	(600,000)
Change in unrealized loss on privately held securities	-	-	-	3,726,264	-	3,726,264
	-	-	-	3,957,619	-	3,957,619
Changes in net assets before contributions by limited partners	(7,060,829)	(152,847)	(131,762)	2,717,192	-	(4,628,246)
Contributions by limited partners	-	-	-	847,613	-	847,613
Change in net assets	(7,060,829)	(152,847)	(131,762)	3,564,805	-	(3,780,633)
Net assets:						
Beginning	35,396,847	133,877	64,043	9,136,785	-	44,731,552
Ending	$ 28,336,018	$ (18,970)	$ (67,719)	$ 12,701,590	$ -	$ 40,950,919

Rare and Affiliates

Rare Balance Sheet
September 30, 2022

Assets	
Cash and cash equivalents	$ 11,044,660
Grants and contributions receivable, net	14,905,449
Contracts receivable	731,606
Prepaid expenses and other assets	1,022,655
Program related investment loan	228,619
Investments	8,782,745
Assets held for deferred compensation	1,313,153
Property and equipment, net	39,938
Total assets	$ 38,068,825
Liabilities and Net Assets	
Accounts payable and accrued expenses	$ 3,393,810
Refundable advances	4,091,557
Related party transactions	136,329
Deferred rent	797,958
Deferred compensation liabilities	1,313,153
Total liabilities	9,732,807
Net assets:	
Without donor restrictions:	
Undesignated	3,146,977
Designated by the board of trustees	8,877,970
Total Rare net assets without donor restrictions	12,024,947
With donor restrictions	16,311,071
Total net assets	28,336,018
Total liabilities and net assets	$ 38,068,825

Rare and Affiliates

Rare Statement of Activities
Year Ended September 30, 2022

Support and revenue:	
Grants and contributions	$ 22,252,656
Paycheck Protection Program loan forgiveness	1,683,088
Contributed services and materials	83,276
Program service revenue	137,257
Management fees and other revenue	2,491
Total support and revenue	24,158,768
Operating expenses:	
Sustainable fisheries and agriculture	12,185,030
Climate change	6,456,417
Conservation finance	1,923,825
Center for behavior and environment	3,702,031
Administrative	2,766,738
Fundraising	2,878,872
Total operating expenses	29,912,913
Other income:	
Rental income	156,401
Contingent loss	(982,024)
Investment loss	(481,061)
	(1,306,684)
Change in net assets	(7,060,829)
Net assets:	
Beginning	35,396,847
Ending	$ 28,336,018

Rare and Affiliates
The Swiss Confederation State Secretariat for Economic Affairs
“Fisheries Ecosystem Technical Assistance Facility”

Program Schedule of Cash Receipts and Expenditures
Period From October 1, 2021 Through September 30, 2022

Cash receipts:	
Cash received	$ -
Total cash receipts	-
Expenditures:	
Consultants	82,646
Management fee	9,396
Total expenditures	92,042
Excess of cash receipts over expenditures	(92,042)
Cash balance:	
Beginning	449,479
Ending	$ 357,437