Independent Auditors’ Reports as Required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Government Auditing Standards* and Related Information

World Resources Institute and Subsidiaries

September 30, 2022 and 2021

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
World Resources Institute and Subsidiaries

Report on the financial statements

Opinion

We have audited the consolidated financial statements of World Resources Institute and Subsidiaries (collectively, the "Institute"), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Institute as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Institute 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

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

Supplementary information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, for the year ended September 30, 2022 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The schedules of indirect cost rate calculations and the schedule of fringe benefit rate calculations for the year ended September 30, 2022 on pages 37 – 41 are also presented for additional analysis and are not required parts of the consolidated financial statement. Such supplementary 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 information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included 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 US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

Grant Thornton LLP

Arlington, Virginia
February 23, 2023

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30,

	2022	2021
ASSETS		
Cash and cash equivalents	$ 90,916,921	$ 94,755,776
Grants, pledges and contracts receivable, net (Note E)	178,943,762	175,853,939
Investments (Notes C and D)	100,181,421	110,046,482
Other assets	3,604,212	3,193,218
Foreign currency forward contracts	6,282,574	1,061,294
Software, furniture, fixtures, and equipment, net (Note F)	4,620,135	4,904,242
Total assets	$ 384,549,025	$ 389,814,951
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 10,575,401	$ 7,273,472
Accrued salaries and benefits	6,817,960	6,247,972
Deferred rent	3,045,315	3,453,060
Deferred revenue	1,132,437	423,101
Funds held for others	1,774	33,374
Total liabilities	21,572,887	17,430,979
Net assets		
Without donor restrictions		
Board designated - operating reserve (Note B)	25,364,752	16,355,220
Board designated - working capital reserve (Notes B and J)	3,523,649	3,523,649
	28,888,401	19,878,869
With donor restrictions (Note I)		
Restricted for specific purpose and/or passage of time	307,644,896	319,034,232
Reserve fund (endowment) - unappropriated earnings (Notes I and J)	1,292,841	8,320,871
Reserve fund (endowment) - restricted in perpetuity (Notes I and J)	25,150,000	25,150,000
	334,087,737	352,505,103
Total net assets	362,976,138	372,383,972
Total liabilities and net assets	$ 384,549,025	$ 389,814,951

The accompanying notes are an integral part of these consolidated financial statements.

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended September 30, 2022

		With Donor Restrictions			
	Without Donor Restrictions	Time and/or Purpose Restricted	Reserve Fund Unappropriated Earnings	Reserve Fund Restricted in Perpetuity	Total
Operating revenues					
Grants/contributions (Note E)	$ 65,155,480	$ 123,869,080	$ -	$ -	$ 189,024,560
Federal grants and cooperative agreements	9,139,911	-	-	-	9,139,911
Investment return, net	(2,352,828)	-	(5,297,998)	-	(7,650,826)
Other	89,516	-	-	-	89,516
Support from endowment income	1,730,032	-	(1,730,032)	-	-
Net assets released from program and time restrictions (Note I)	136,396,242	(136,396,242)	-	-	-
Total operating revenues	210,158,353	(12,527,162)	(7,028,030)	-	190,603,161
Operating expenses					
Policy research, technical support, and communications programs	180,379,948	-	-	-	180,379,948
Administration	16,641,870	-	-	-	16,641,870
Development	1,897,309	-	-	-	1,897,309
Total operating expenses	198,919,127	-	-	-	198,919,127
Change in net assets from operations	11,239,226	(12,527,162)	(7,028,030)	-	(8,315,966)
Nonoperating activities					
Gain due to foreign currency forward contracts adjustment	5,221,281	-	-	-	5,221,281
(Loss) gain due to foreign currency adjustment	(7,450,975)	1,137,826	-	-	(6,313,149)
Change in net assets from nonoperating activities	(2,229,694)	1,137,826	-	-	(1,091,868)
CHANGE IN NET ASSETS	9,009,532	(11,389,336)	(7,028,030)	-	(9,407,834)
Net assets, beginning of year	19,878,869	319,034,232	8,320,871	25,150,000	372,383,972
Net assets, end of year	$ 28,888,401	$ 307,644,896	$ 1,292,841	$ 25,150,000	$ 362,976,138

The accompanying notes are an integral part of this consolidated financial statement.

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended September 30, 2021

		With Donor Restrictions			
	Without Donor Restrictions	Time and/or Purpose Restricted	Reserve Fund Unappropriated Earnings	Reserve Fund Restricted in Perpetuity	Total
Operating revenues					
Grants/contributions (Note E)	$ 61,107,967	$ 218,799,434	$ -	$ 50,000	$ 279,957,401
Federal grants and cooperative agreements	5,024,635	-	-	-	5,024,635
Investment return, net	705,640	-	6,944,919	-	7,650,559
Other	47,275	-	-	-	47,275
Support from endowment income	1,741,478	-	(1,741,478)	-	-
Net assets released from program and time restrictions (Note I)	101,454,464	(101,454,464)	-	-	-
Total operating revenues	170,081,459	117,344,970	5,203,441	50,000	292,679,870
Operating expenses					
Policy research, technical support, and communications programs	148,200,955	-	-	-	148,200,955
Administration	13,752,765	-	-	-	13,752,765
Development	1,366,953	-	-	-	1,366,953
Total operating expenses	163,320,673	-	-	-	163,320,673
Change in net assets from operations	6,760,786	117,344,970	5,203,441	50,000	129,359,197
Nonoperating activities					
(Loss) gain due to foreign currency adjustment	(555,714)	1,302,008	-	-	746,294
Change in net assets from nonoperating activities	(555,714)	1,302,008	-	-	746,294
CHANGE IN NET ASSETS	6,205,072	118,646,978	5,203,441	50,000	130,105,491
Net assets, beginning of year	13,673,797	200,387,254	3,117,430	25,100,000	242,278,481
Net assets, end of year	$ 19,878,869	$ 319,034,232	$ 8,320,871	$ 25,150,000	$ 372,383,972

The accompanying notes are an integral part of this consolidated financial statement.

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2022

	Food, Forests and Water, Ocean	Cities and Transport	Climate	Energy	Governance, Finance, Economics and Business	Shared and Special Projects	Total Program Expenses	Administration	Development	Total Expenses
Salaries	$ 15,726,293	$ 10,818,612	$ 11,700,906	$ 2,931,046	$ 6,771,579	$ 3,637,036	$ 51,585,472	$ 7,935,523	$ 806,515	$ 60,327,510
Fringe benefits	6,658,050	4,619,665	5,073,383	1,156,140	2,910,247	1,558,168	21,975,653	3,370,869	355,685	25,702,207
Research expenses	6,141,295	2,771,496	7,727,809	900,361	2,507,567	2,084,476	22,133,004	195,960	323,907	22,652,871
Conference expenses	823,705	416,510	871,386	80,423	58,789	292,736	2,543,549	207,650	7,709	2,758,908
Publication expenses	677,692	366,910	552,041	40,638	222,880	459,604	2,319,765	16,004	54,649	2,390,418
Communication expenses	999,201	263,507	868,640	4,827	66,770	207,021	2,409,966	414	1,917	2,412,297
Travel	1,210,023	611,229	631,124	248,582	370,818	301,916	3,373,692	307,220	18,991	3,699,903
Occupancy	982,752	648,457	687,795	148,110	386,291	295,905	3,149,310	515,384	56,311	3,721,005
Other direct costs	727,625	849,164	577,183	93,324	228,904	187,652	2,663,852	4,092,846	54,923	6,811,621
Subgrants	19,169,589	14,376,527	6,833,901	1,222,314	6,590,064	5,515,675	53,708,070	-	36,182	53,744,252
Library and information services	67,252	42,328	56,839	11,101	26,792	17,879	222,191	-	3,329	225,520
Indirect salaries	1,105,205	695,601	934,073	182,432	440,298	293,812	3,651,421	-	54,716	3,706,137
Indirect benefits	480,793	302,604	406,346	79,363	191,541	127,816	1,588,463	-	23,803	1,612,266
Subgrant pool salaries	606,391	454,772	216,177	38,665	208,463	174,477	1,698,945	-	1,145	1,700,090
Subgrant pool benefits	265,119	198,830	94,514	16,905	91,142	76,283	742,793	-	500	743,293
Subgrant pool other costs	51,869	38,900	18,491	3,307	17,831	14,924	145,322	-	98	145,420
Rent, postage, supplies and materials	114,440	72,027	96,720	18,890	45,591	30,423	378,091	-	5,666	383,757
Telephone and cables	158,150	99,537	133,661	26,105	63,004	42,043	522,500	-	7,830	530,330
Equipment rental and maintenance	966,927	608,571	817,206	159,607	385,210	257,052	3,194,573	-	47,870	3,242,443
Other indirect	233,349	146,867	197,217	38,518	92,963	62,034	770,948	-	11,552	782,500
Depreciation	485,002	305,253	409,903	80,057	193,218	128,935	1,602,368	-	24,011	1,626,379
Total expenses before G&A allocation	57,650,722	38,707,367	38,905,315	7,480,715	21,869,962	15,765,867	180,379,948	16,641,870	1,897,309	198,919,127
Allocation of administration costs	4,962,763	3,123,496	4,194,319	819,185	1,977,093	1,319,321	16,396,177	(16,641,870)	245,693	-
Total expenses after G&A allocations	$ 62,613,485	$ 41,830,863	$ 43,099,634	$ 8,299,900	$ 23,847,055	$ 17,085,188	$ 196,776,125	$ -	$ 2,143,002	$ 198,919,127

The accompanying notes are an integral part of this consolidated financial statement.

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2021

	Food, Forests and Water, Ocean	Cities and Transport	Climate	Energy	Governance, Finance, Economics and Business	Shared and Special Projects	Total Program Expenses	Administration	Development	Total Expenses
Salaries	$ 12,416,344	$ 8,276,558	$ 9,291,146	$ 2,180,676	$ 6,954,007	$ 2,338,720	$ 41,457,451	$ 5,976,328	$ 741,587	$ 48,175,366
Fringe benefits	5,486,945	3,681,257	4,165,011	931,057	3,140,730	1,014,566	18,419,566	2,651,050	332,905	21,403,521
Research expenses	5,384,598	2,201,822	8,086,648	877,627	2,291,036	1,043,520	19,885,251	528,955	-	20,414,206
Conference expenses	268,841	66,391	151,935	8,820	34,791	127,610	658,388	3,124	238	661,750
Publication expenses	381,985	317,590	305,446	23,729	232,010	148,540	1,409,300	12,241	44,041	1,465,582
Communication expenses	994,149	422,097	740,423	21,164	300,810	420,510	2,899,153	1,055	32,040	2,932,248
Travel	62,542	26,604	47,474	6,936	32,304	56,750	232,610	13,332	700	246,642
Occupancy	798,904	426,158	464,244	105,542	371,354	171,908	2,338,110	379,469	39,622	2,757,201
Other direct costs	633,777	317,105	412,086	55,684	214,725	66,766	1,700,143	4,187,211	26,126	5,913,480
Subgrants	15,309,514	9,164,766	12,065,914	999,321	6,523,951	3,103,974	47,167,440	-	12,261	47,179,701
Library and information services	64,086	38,158	57,385	10,212	32,911	13,068	215,820	-	2,952	218,772
Indirect salaries	1,050,100	625,241	940,287	167,330	539,264	214,123	3,536,345	-	48,367	3,584,712
Indirect benefits	478,688	285,017	428,630	76,278	245,824	97,608	1,612,045	-	22,048	1,634,093
Subgrant pool salaries	430,244	257,558	339,089	28,084	183,343	87,231	1,325,549	-	345	1,325,894
Subgrant pool benefits	195,883	117,262	154,382	12,786	83,473	39,715	603,501	-	157	603,658
Subgrant pool other costs	30,692	18,373	24,190	2,003	13,079	6,223	94,560	-	25	94,585
Telephone and cables	127,372	75,839	114,052	20,296	65,410	25,972	428,941	-	5,867	434,808
Equipment rental and maintenance	654,516	389,706	586,071	104,295	336,117	133,461	2,204,166	-	30,146	2,234,312
Other indirect	134,595	80,139	120,520	21,447	69,119	27,445	453,265	-	6,550	459,815
Depreciation	463,041	275,700	414,620	73,784	237,788	94,418	1,559,351	-	20,976	1,580,327
Total expenses before G&A allocation	45,366,816	27,063,341	38,909,553	5,727,071	21,902,046	9,232,128	148,200,955	13,752,765	1,366,953	163,320,673
Allocation of administration costs	4,028,712	2,398,741	3,607,416	641,963	2,068,888	821,485	13,567,206	(13,752,765)	185,560	-
Total expenses after G&A allocations	$ 49,395,528	$ 29,462,082	$ 42,516,969	$ 6,369,034	$ 23,970,934	$ 10,053,613	$ 161,768,161	$ -	$ 1,552,513	$ 163,320,673

The accompanying notes are an integral part of this consolidated financial statement.

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30,

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (9,407,834)	$ 130,105,491
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,626,379	1,580,327
Realized loss (gain) from sale of investments	343,326	(6,576,854)
Unrealized loss (gain) on investments	9,451,295	(125,145)
Unrealized gain on foreign currency forward contracts	(5,221,280)	(1,061,294)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(3,089,823)	(8,536,385)
Other assets	(410,994)	(1,501,318)
Accounts payable	3,301,929	(1,153,994)
Accrued salaries and benefits	569,988	663,717
Deferred rent	(407,745)	(531,742)
Deferred revenue	709,336	(158,019)
Funds held for others	(31,600)	(850,823)
Net cash (used in) provided by operating activities	(2,567,023)	111,853,961
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	111,753,345	156,880,680
Purchase of investments	(109,780,166)	(212,070,518)
Reinvested interest/dividends	(1,902,739)	(1,388,321)
Purchase of software, furniture, fixtures, and equipment	(1,342,272)	(932,873)
Net cash used in investing activities	(1,271,832)	(57,511,032)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,838,855)	54,342,929
Cash and cash equivalents, beginning of year	94,755,776	40,412,847
Cash and cash equivalents, end of year	$ 90,916,921	$ 94,755,776

The accompanying notes are an integral part of these consolidated financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Principles of Consolidation

World Resources Institute and subsidiaries (collectively the “Institute”) is an independent research and policy institute founded in 1982 to help governments, environmental and development organizations, and private businesses address a fundamental question as to how societies can meet basic human needs and nurture economic growth without undermining the natural resource base and environmental integrity.

The Institute’s work is carried out by a 1,781-member interdisciplinary staff, strong in sciences, and augmented by a network of advisors, collaborators, fellows, and cooperating institutes in more than 60 countries. The Institute focuses on seven critical issues: Climate, Energy, Food, Forests, Water, Cities and Ocean. Work on these seven issues is supported by experts in four disciplinary centers: Business, Economics, Finance, and Governance.

The accompanying consolidated financial statements include the accounts of the Institute’s separately incorporated subsidiaries: The World Resources Institute Fund (“WRIF”), the World Resources Institute India (“WRII”), the WRI Europe Stichting (“WRI Europe”), and Fundación WRI Colombia (“WRI Colombia”). Descriptions of the activities of each are provided below.

WRIF was created in 1986 as a supporting organization to the Institute. WRIF currently manages the Lee Schipper Scholarship Fund initiated by the Shell Foundation.

WRII, a wholly owned subsidiary of the Institute, is a for-profit company incorporated in India. WRII provides services including, but not limited to, research and analysis to collate and create information to improve and sustainably develop resources and services such as energy, water, food, forests, transit services and urban planning, information to mitigate climate change and develop resilience to climate change, and any other work in the area of holistic planning and environment conservation. WRII’s work is carried out by 60-member interdisciplinary staff, strong in sciences, and is augmented by a network of advisors, collaborators, fellows, and cooperating institutes across India.

WRI Europe is registered as a not-for-profit foundation, referred to as a Stichting under Dutch law and is based in The Hague. WRI Europe works to increase the Institute’s global impact by fostering innovative partnerships, sharing WRI research findings, and ensuring that WRI learns from European insights and experience in development and environmental protection. WRI Europe also actively engages with bilateral donors, foundations and other partners to mobilize funding to support our work. The European Union plays a key role in promoting sustainable development, within Europe and on the global stage. WRI Europe engages with European partners to advance shared goals.

WRI registered legal presence in Colombia in 2020 as Fundación WRI Colombia, a nonprofit organization. Since its creation, WRI Colombia continues channeling its efforts towards the technical positioning and visibility and looking for funding opportunities for the development of local projects. WRI Colombia supports, through different initiatives and technical analysis, mainly three programmatic areas: climate, cities and forest. It also supports the just transition towards an affordable and equitable net zero carbon economy that sustainably uses natural capital while conserving the country's ecosystems and biodiversity. WRI Colombia’s office is composed of an interdisciplinary team of 11 permanent staff members and a group of technical consultants that works closely with national and international partners including private sector, national and subnational government, academic institutions, and donors.

Regional and Representative Offices

The World Resources Institute (U.S.) Beijing Representative Office (“WRI China”), a representative office of the Institute, is registered as a foreign non-governmental organization in China. WRI China works closely with leaders to turn big ideas into action to sustain our natural resources - the foundation of economic opportunity and human well-being. WRI China focuses on five critical issues at the intersection of socioeconomic development and the environment: sustainable cities, climate, water, energy and finance.

The World Recourses Institute Africa Regional Office ("WRI Africa") was established as a regional office through an agreement with the Government of the Federal Democratic Republic of Ethiopia. As a regional office, WRI Africa seeks to connect our disparate projects across the African continent. The office focuses on creating impact at scale, concentrating WRI's efforts geographically and thematically while partnering with pan-African and regional institutions like the African Union and UN Economic Commission for Africa. Most of WRI Africa's work currently falls under the themes of forests, water and cities. Over time, we plan to expand work in other fields that will help determine Africa's future, such as food security, clean energy access and climate change resilience.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Financial Accounting Standards Board has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with U.S. GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Classification of Net Assets

Activities of the Institute are recorded in the following net assets categories:

<u>Net Assets Without Donor Restrictions</u>

Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include the investment in software, furniture, fixtures and equipment, net of accumulated depreciation. The Institute's policy is to designate donor gifts without restriction at the discretion of the Board of Directors. The board of directors has designated net assets without donor restrictions for the following uses:

<u>Board Designated - Operating Reserve</u>

Amounts designated by the Board of Directors of the Institute to be maintained as part of a reserve and used for operating purposes.

<u>Board Designated - Working Capital Reserve</u>

Amounts designated by the Board of Directors of the Institute to be maintained as part of a reserve and used to support certain specific future activities as defined by the Board of Directors.

<u>Net Assets with Donor Restrictions</u>

Net assets whose use by the Institute is subject to donor-imposed stipulations that can be fulfilled by actions of the Institute pursuant to those stipulations or that expire by the passage of time. Net assets with donor restrictions also include net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Institute. The donors of these net assets may permit the Institute to use all or part of the income earned on the related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions are reported as increases in the appropriate category of net assets, except for the contributions that impose restrictions that are met in the same fiscal year they are received, which are included in revenues without donor restriction.

WRI recognizes revenue from grants and contracts as either contributions or exchange transactions, depending on whether the transaction is reciprocal or nonreciprocal. For grants and contracts treated as contributions, WRI recognizes revenue when the contribution becomes unconditional. Typically, grants and contracts contain a right of return or right of release provision and limit the Institute's discretion over how funds transferred should be spent. As such, the Institute recognizes revenue for these conditional contributions when the related barriers have been overcome.

Amounts received in advance of conditions being met are recorded as deferred revenue. The amount of qualifying reimbursable expenses incurred in excess of funds received is included in grants and contracts receivable.

For grants and contracts treated as exchange transactions, the Institute has the right to considerations from the sponsoring organization in an amount that corresponds directly with the value to the sponsoring organization of the Institute's performance completed to date (cost incurred). For these agreements, the Institute recognizes revenue in the amount to which the Institute has the right to invoice. Revenue recognized for grants and contracts treated as exchange transactions totaled $6,186,104 and $8,775,429 for the years ended September 30, 2022 and 2021, respectively. For expense incurred in advance of receipts of funds from the sponsoring organization, the Institute recorded accounts receivable totaling $2,716,437 and $3,175,848 at September 30, 2022 and 2021, respectively. For money received in advance from the sponsoring organization, the Institute recorded deferred revenue totaling $1,132,437 and $423,101 at September 30, 2022 and 2021, respectively.

Foreign Currency

The United States dollar is the functional currency of the Institute; however, the Institute maintains financial assets and liabilities in foreign currencies to meet local obligations in foreign locations. The financial assets and liabilities in foreign currencies are translated using exchange rates in effect at the end of the period and revenue and costs are translated using weighted-average exchange rates for the period.

During the years ended September 30, 2022 and 2021, foreign exchange fluctuations resulted in realized and unrealized losses totaling $6,313,149 and $315,000 to the Institute, respectively, as a result of hedge restrictions from some bilateral donors. Management has decided to hedge all significant foreign currency receivables that can be reasonably assured/estimated in terms of amount and collection period, to reduce the Institute's exposure to foreign exchange fluctuations. As a result, gain due to foreign currency forward contracts adjustments for the years ended September 30, 2022 and 2021 totaled $5,221,283 and $1,061,294, respectively.

Cash and Cash Equivalents

The Institute considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents except for cash and cash equivalents held in investment accounts.

Investments

Investments held by the Institute are presented at their fair value. Purchases and sales of securities are recorded on a trade-date basis. Investment income is recorded on an accrual basis. Gains and losses on investments, realized and unrealized, are included in investment return on the consolidated statement of activities.

Software, Furniture, Fixtures and Equipment

Software, furniture, fixtures, and equipment are recorded at cost or fair value if acquired as gifts. Depreciation is recorded on the straight-line basis over estimated useful lives that range from three to seven years. Leasehold improvements are amortized over the shorter of their useful lives or the lease term. Assets purchased under a capital lease are recorded as an asset and a corresponding obligation at the beginning of the lease term. The recorded amount is equal to the present value of the minimum lease payments. Leased assets are amortized over the shorter of their useful lives or the lease term. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss arising from such disposition is included in the consolidated statement of activities.

The Institute has capitalized its collections. Collections consist of artwork that is held for public exhibition. Collections purchased are capitalized at cost, collections donated are capitalized at appraised value as of the date of the acceptance of the donation. Collections are not depreciated.

Costs Subject to Audit

The Institute’s costs under its government grants and cooperative agreements are subject to audit by the awarding agencies. Management of the Institute does not believe that the results of such audits would have a material impact on the financial position and operating results of the Institute.

Use of Estimates

The preparation of financial statements, in conformity with 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 financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

As of September 30, 2022, all interest-bearing U.S. deposit accounts maintained by the Institute were insured up to $250,000 at each financial institution by the Federal Deposit Insurance Corporation. The Institute’s cash balances at times, may exceed federally insured limits. However, the Institute has not experienced any losses within these accounts and therefore believes it is not exposed to any significant credit risk associated with those deposits.

The Institute has cash in foreign accounts totaling $6,042,162 and $4,893,734 at September 30, 2022 and 2021, respectively.

Income Tax

The Institute is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) and further classified as a public charity as described in 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code (the “Code”). WRIF is exempt from federal income tax under Section 501(c)(3) of the Code and is further classified as a public charity as a supporting organization controlled by the Institute.

The Institute and WRIF are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Each organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

WRII, a wholly owned subsidiary of the Institute, is a for-profit corporation incorporated in India, and is a separate entity for federal, state, and local income tax purposes.

WRI Europe and WRI Columbia are foreign not-for-profit organizations controlled by the Institute and report their income and expenses separately from the Institute for tax purposes.

The Institute follows the accounting guidance that clarifies the accounting for uncertainty in tax positions taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

Measure of Operations

The accompanying consolidated statements of activities distinguish between operating and non-operating activities. Operating activities principally include all revenues and expenses that are an integral part of the Institute’s programs and supporting activities and investment return net of expenses. Non-operating activities include realized and unrealized gains and losses due to foreign currency adjustment, recovery (write-off) of uncollectible grants and other activities which are considered to be nonrecurring in nature.

Expense Allocation

The costs of providing various programs have been summarized on a functional basis and allocated among programs and supporting services benefited. Certain costs are reported among program and supporting services based on specific identification, or allocated using appropriate bases such as headcount or square footage, which have been consistently applied.

Pending Accounting Pronouncements

Accounting Standards Update 2016-02, *Leases (Topic 842)*, is effective for not-for-profit entities for annual periods beginning after December 15, 2021. For the Institute, that is its fiscal year 2023. The core principle of Topic 842 is that a lessee should recognize assets and liabilities that arise from all leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The Institute is currently in the process of evaluating the impact of this new accounting guidance on its consolidated financial statements.

NOTE B - LIQUIDITY AND AVAILABILITY

The Institute's Board approved a Reserve Policy in 2019 that stipulates all net assets without donor restrictions are considered part of either the Operating Reserve or the Working Capital Reserve, both of which require board approval before expenditure. As such, WRI does not consider these board-designated reserves to be available for general expenditure within a year.

The Institute is substantially supported by grants and contracts from governments and private sponsors. Most grants and other contributions carry donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Institute must maintain sufficient resources to meet those commitments to donors. Thus, certain financial assets are available for program expenditure, but may not be available for general expenditure within a year. As part of the Institute's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Institute invests cash in excess of daily requirements in short-term investment and money market funds.

The Institute's financial assets available for general expenditure, that is, without Board, donor, or contractual restrictions limiting their use, within one year of the date of the statement of financial position of September 30, 2022 and 2021 consist of the Board-approved annual endowment draw of 4.25% and 4.5%, respectively, of the trailing 12 quarter average of the donor-restricted endowment value, or approximately $1.7 million for both years. This amount is also referred to as the endowment fund appropriation for the following year.

As of September 30, 2022, the Institute has approximately $1.3 million in unappropriated earnings on its donor-restricted endowment fund, plus a Board-designated endowment fund of approximately $3.5 million, which are available for general expenditure with appropriate Board approval.

NOTE C - INVESTMENTS

Investments were as follows as of September 30:

	2022	2021
Money market funds	$ 128,202	$ 112,753
Equity securities	24,263,476	31,189,638
Mutual funds:		
Fixed income funds	71,584,160	75,091,991
Alternative investments:		
Hedge funds	80,272	62,718
Private equity funds	4,125,311	3,589,382
Total investments	$ 100,181,421	$ 110,046,482

NOTE D - FAIR VALUE

ASC 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Institute classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value, as well as the general classification pursuant to the valuation hierarchy.

Money Market Funds, Equity Securities, and Mutual Funds

Investments in money market funds and equity securities valued at the quoted prices in an active market are classified within Level 1 of the fair value hierarchy.

Alternative Investments

Alternative investments consist of investments in various funds. These investments are aggregated into hedge, equity, fixed income, emerging market and real estate funds based on their underlying investments. The fair value of such investments is determined using the net asset value ("NAV") per share as a practical expedient. The investments, which are redeemable at or near year end at NAV per share, are not classified within the fair value hierarchy.

The following table summarizes the valuation of financial instruments at fair value on a recurring basis in the consolidated statement of financial position at September 30, 2022.

	Level 1	Reported at NAV	Total
Money market funds	$ 128,202	$ -	$ 128,202
Equity securities	24,263,476	-	24,263,476
Mutual funds:			
Fixed income funds	71,584,160	-	71,584,160
Alternative investments:			
Hedge funds	-	80,272	80,272
Private equity funds	-	4,125,311	4,125,311
Total investments	$ 95,975,838	$ 4,205,583	$ 100,181,421

The following table summarizes the valuation of financial instruments at fair value on a recurring basis in the consolidated statement of financial position at September 30, 2021.

	Level 1	Reported at NAV	Total
Money market funds	$ 112,753	$ -	$ 112,753
Equity securities	31,189,638	-	31,189,638
Mutual funds:			
Fixed income funds	75,091,991	-	75,091,991
Alternative investments:			
Hedge funds	-	62,718	62,718
Private equity funds	-	3,589,382	3,589,382
Total investments	$ 106,394,382	$ 3,652,100	$ 110,046,482

The table below presents additional information for the Institute's investments, as of September 30, 2022 and 2021, whose fair value is estimated using the practical expedient of reported NAV. These disclosures are required for all investments that are eligible to be valued using the practical expedient regardless of whether the practical expedient has been applied.

	Fair Value at 9/30/2022	Fair Value at 9/30/2021	Unfunded Commitments at 9/30/2022	Redemption Terms at 9/30/2022	Redemption Terms at 9/30/2021
Hedge funds [a]	$ 80,272	$ 62,718	None	In liquidation	In liquidation
Private equity funds [b]	4,125,311	3,589,382	$ 2,733,637	Upon liquidation	Upon liquidation
	$ 4,205,583	$ 3,652,100			

[a] This class includes hedge funds and funds of funds that invest primarily in debt and equity securities. The fair values of the investments have been estimated by using the NAV per share of the funds.

[b] This class includes investments in private equity funds that invest in companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. The fair values of the investments have been estimated by using the NAV per share of the funds. These investments can never be redeemed with the funds. Instead, the nature of investments in this class is that distributions are received though liquidation of the underlying assets of the funds at the direction of the fund managers, which have not communicated that timing to the Institute or announced the timing publicly.

NOTE E - GRANTS, PLEDGES, AND CONTRACTS RECEIVABLE

Grants, pledges and contracts receivable are recorded at their net realizable values. The mix of receivables as of September 30 was as follows:

	2022	2021
U.S. government	2%	1%
Foundations	48	41
Foreign governments	29	34
International organizations	12	15
Corporations, individuals, and others	9	9
	100%	100%

As of September 30, the Institute's receivables were due as follows:

	2022	2021
Due within one year	$ 118,493,692	$ 103,765,973
Due within one to five years	62,283,379	74,698,125
Total gross grants, pledges and contracts receivable	180,777,071	178,464,098
Less:		
Allowance for doubtful accounts	(255,018)	(427,437)
Unamortized discount on receivables	(1,578,291)	(2,182,722)
Grants, pledges, and contracts receivable, net	$ 178,943,762	$ 175,853,939

Contributions that are to be received over multiple years are discounted to present value at a discount rate commensurate with the risk at the time the contributions were pledged. Discount rates used as of September 30, 2022 and 2021 ranged from 0.16% to 4.25% for both years. Allowance for doubtful accounts is determined based on the average write-offs as a percentage of revenue over the last five years. Grants, pledges and contracts receivable are written-off when deemed to be uncollectible.

The Institute received new conditional contributions of $26,881,164 and $71,671,877 during the years ended September 30, 2022 and 2021, respectively. The Institute has recorded revenue of $59,845,525 and $68,077,581 for the years ended September 30, 2022 and 2021, respectively, the extent to which the conditions on the contributions have been met. As of September 30, 2022 and 2021, the Institute had conditional contributions outstanding of $82,187,955 and $99,148,784, respectively. Contribution payments due over the ensuing three years are conditional based on progress and reporting satisfactorily to the donor.

NOTE F - SOFTWARE, FURNITURE, FIXTURES, LEASES AND EQUIPMENT

Software, furniture, fixtures, leases and equipment consist of the following at September 30:

	2022	2021
Furniture, equipment and software	$ 14,518,736	$ 13,210,767
Leasehold improvements	6,264,253	6,228,026
Equipment under capital lease agreements	70,235	70,235
Artwork	8,825	8,825
	20,862,049	19,517,853
Less: accumulated depreciation and amortization	(16,241,914)	(14,613,611)
Furniture, fixtures, and equipment, net	$ 4,620,135	$ 4,904,242

NOTE G - OFFICE LEASE COMMITMENTS AND RENT ABATEMENT

The Institute has entered into various operating lease agreements.

During 2007, the Institute renegotiated and extended its current lease for its Washington, D.C. office space, under an agreement which was to expire in February 2019. In 2015, the Institute extended the existing lease through December 2028. In 2020, the Institute further extended the existing lease through June 30, 2029. As part of the office building lease, the Institute received a total of six months of free rent from February 2019 to July 2019. This rent abatement is being amortized on a straight-line basis over the life of the lease as a reduction of rent expense. Also, as part of the office building lease, the Institute received a tenant allowance of $4,553,705. The tenant allowance was $2,021,450 and $2,320,924 as of September 30, 2022 and 2021, respectively, and was being amortized on a straight-line basis over the life of the lease as a reduction of rent expenses.

Minimum future rental payments under non-cancelable leases as of September 30, 2022 are as follows:

Years Ended September 30,	
2023	$ 3,800,474
2024	3,800,700
2025	3,821,101
2026	3,839,276
2027	3,903,036
Thereafter	7,060,313
Total	$ 26,224,900

Rental expense for these leases was $3,162,210 and $2,666,534 for the years ended September 30, 2022 and 2021, respectively.

NOTE H - MARGIN LOAN

On July 2, 2020, the Institute entered into a Margin Loan Agreement with Goldman Sachs that bears interest at the Secured Overnight Financing Rate plus 1.31%. Based on the Institute’s endowment balance (Note J), the amount available to borrow at September 30, 2022 and 2021 totaled approximately $26 million for both years. There were no amounts drawn from or outstanding on this margin loan as of and for the years ended September 30, 2022 and 2021.

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, net assets with donor restrictions are restricted for the following programs:

	2022	2021
Cities and transport	$ 73,361,318	$ 88,809,797
Climate	38,456,727	38,137,022
Energy	9,864,569	10,574,335
Food, forests, water, and ocean	77,105,816	56,682,626
Equity	4,389,884	5,693,236
Finance	8,082,009	4,572,413
Business	13,247,883	11,085,241
Economics	163,455	2,624,016
Special studies/innovation	82,871,862	99,934,753
Development	2,079,130	3,591,543
Cynthia Helms Fellowship Fund	83,503	97,396
Foreign currency unrealized loss	(2,665,691)	(2,674,965)
Multi-year receivable discount	604,431	(93,181)
Endowment restricted in perpetuity	25,150,000	25,150,000
Cumulative unappropriated endowment earnings	1,292,841	8,320,871
Total	$ 334,087,737	$ 352,505,103

Net assets released from restrictions by incurring expenses satisfying specific purposes or with passage of time during the years ended September 30, are as follows:

	2022	2021
Cities and transport	$ 26,431,348	$ 16,464,582
Climate	32,334,792	35,386,573
Energy	6,133,968	2,624,272
Food, forests, water, and ocean	40,378,057	25,882,587
Equity	5,380,268	4,377,784
Finance	2,743,201	2,306,671
Business	7,406,261	4,692,341
Economics	1,149,008	1,027,050
Special studies/innovation	13,597,260	8,009,175
Development	842,079	683,429
Total	$ 136,396,242	$ 101,454,464

NOTE J - ENDOWMENT FUNDS

The Institute's donor restricted endowment funds remain the same totaling $25,150,000 (cost basis) at September 30, 2022 and 2021 consist of three individual funds established for a variety of purposes.

In particular, in 1987 the MacArthur Foundation gave the Institute a challenge loan of $12,516,000 with the understanding that it would forgive this loan to the extent that the Institute raised qualifying matching funds under a comprehensive development program. The purpose of the challenge loan was to facilitate the establishment of a donor-restricted endowment for the Institute.

After the Institute successfully met the terms of the loan agreement, a donor-restricted endowment of $25 million (cost basis) was formally established on January 1, 1991, with earnings on the corpus expendable to support any activities of the Institute. The Institute's Board of Directors adopted an Investment Policy Statement, which establishes spending rules for future withdrawals of earnings to cover portions of the Institute's annual operating budget while protecting the value of the donor-restricted endowment against inflation. Investment earnings from the donor-restricted endowment (net of investment expenses) are recognized as revenue with donor restriction.

Interpretation of Relevant Law

The Management and Board of Directors of the Institute have interpreted Delaware's Uniform Prudent Management of Institutional Funds Act of 2007, absent explicit donor stipulations to the contrary, to require the Institute to act in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulate endowment funds, taking into account both its obligation to preserve the value of the endowment and its obligation to use the endowment to achieve the purposes for which it was donated. The Institute classifies net assets with donor restriction as (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment required by the applicable donor gift instrument, if applicable.

Endowment Investment Policies

The Institute's investment objectives are to safeguard and preserve the real purchasing power of the endowment while earning investment returns that are commensurate with the Institute's risk tolerance and sufficient to meet its operational requirements. The investments prioritize the long-term sustainability factors the Institute has identified as most critical, and integrates environmental, social, and governance and impact funds into the endowment, which the Institute believes will maximize long-term risk-adjusted returns and align the portfolio strategy with the Institute's sustainable investment objectives.

The Institute recognizes that analyzing and transitioning an entire portfolio to incorporate sustainability takes time and is not immediate; it is committed to finding, over time, high quality investment options that fit both its sustainable investment and financial objectives, which can bring additional benefits, such as mission alignment, programmatic learning, and practical experience to inform an actionable model for other investors to emulate. The specific investment objectives for the Operating and Program Fund and the Reserve Fund are set forth below.

Reserve Fund

The Reserve Fund shall be invested with the objective of preserving the long-term real purchasing power of the Reserve Fund's assets while seeking an appropriate level of investment return. More specifically, the Institute's investment objectives and constraints for the Reserve Fund include the following:

Preservation of Purchasing Power - The Institute aims to at least preserve the real purchasing power of its assets over time by seeking returns on its investments that are in excess of the spending rate (described below) and the rate of inflation.

Long-Term Growth - The Institute seeks to achieve growth in its assets in excess of inflation by emphasizing long-term investment fundamentals in structuring its investments.

Time Horizon - The Institute intends to invest for the long term, with the total return on the portfolio evaluated on a five-year rolling basis. It is recognized that not every five-year period will meet the Institute's objectives, but the Institute aims to attain its objectives over a series of five-year periods. The Institute will monitor shorter-term investment results and trends while focusing on long-term results.

Risk Tolerance - The Institute seeks to control risk and reduce the volatility in its portfolio through diversification. However, short-term volatility is characteristic of the securities markets and will be tolerated if such volatility is consistent with the volatility of similar investment portfolios, such as the volatility of performance benchmarks described below. The Institute recognizes and acknowledges that some risk must be assumed in order to achieve the long-term investment objectives of the portfolio. In establishing its risk tolerance, the Institute's ability to withstand short- and intermediate-term variability as well as the statistical probability of loss for a given period of time for the portfolio is evaluated by the Finance and Investment Committee.

Liquidity Requirements - The Institute seeks to maintain adequate liquidity to meet its obligations. The Board or the Finance and Investment Committee will inform the Investment Advisor/Outsourced Chief Investment Officer ("OCIO") of any anticipated need for liquidity as such need becomes known. The Investment Advisor/OCIO will presume no liquidity needs other than those provided by this Policy or the Board or the Finance and Investment Committee.

The investment allocation is shown in Note C.

Endowment Spending Policy

The Board of Directors approves an operating budget and associated endowment draw annually. The Institute spending guideline shall normally be 4.5% of the trailing 12 quarter average market value of the investments. As the Board may approve a deviation from the 4.5% guideline if deemed prudent, the Board approved the new endowment draws of 4.25% for the year ended September 30, 2022.

During 2022 and 2021, $1,730,032 and $1,741,478, respectively, of these earnings were transferred from net assets with donor restriction to operating net assets without donor restrictions in accordance with the policy statement referred to above.

Changes in endowment net assets for the year ended September 30, 2022:

	Without Donor Restrictions	With Donor Restrictions		
		Reserve Fund		
	Working Capital Reserve	Unappropriated Earnings	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	$ 3,523,649	$ 8,320,871	$ 25,150,000	$ 36,994,520
Total investment return	-	(5,297,998)	-	(5,297,998)
Appropriation of endowment assets for expenditure	-	(1,730,032)	-	(1,730,032)
Endowment net assets, end of year	$ 3,523,649	$ 1,292,841	$ 25,150,000	$ 29,966,490

Changes in endowment net assets for the year ended September 30, 2021:

	Without Donor Restrictions	With Donor Restrictions Reserve Fund		
	Working Capital Reserve	Unappropriated Earnings	Restricted in Perpetuity	Total
Endowment net assets, beginning of year	$ 3,523,649	$ 3,117,430	$ 25,100,000	$ 31,741,079
Total investment return	-	6,944,919	-	6,944,919
Contributions	-	-	50,000	50,000
Appropriation of endowment assets for expenditure	-	(1,741,478)	-	(1,741,478)
Endowment net assets, end of year	$ 3,523,649	$ 8,320,871	$ 25,150,000	$ 36,994,520

NOTE K - EMPLOYEE BENEFITS

The Institute contributes either 5% or 8% (based on years of service) of eligible employees' annual earnings, as defined in plan agreements under a defined contribution plan. The amount contributed to the plan for the years ended September 30, 2022 and 2021, totaled $3,819,842 and $3,197,942, respectively.

NOTE L - RELATED PARTIES

During the years ended September 30, 2022 and 2021, board members provided grants and the Institute recognized revenue totaling $1,660,352 and $1,705,266, respectively. As of September 30, 2022 and 2021, the Institute had grants receivable, net of a present value discount, of $250,000 and $32,839,038, respectively.

NOTE M - SUBSEQUENT EVENTS

The Institute evaluated its September 30, 2022 consolidated financial statements for subsequent events through February 23, 2023, the date the consolidated financial statements were available to be issued. The Institute is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

World Resources Institute and Subsidiaries

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2022

Federal Grantor Program Title	Direct Award or Pass-through Entity	Assistance Listing No.	Contract No.	Expenditures	Amount Passed through to Subrecipients
U.S. Agency for International Development:					
Global Forest Watch 3.0	Direct	98.001	7200AA19CA00027	$ 688,199	$ 278,273
Catalyzing Clean Air Solutions (CCAIRS)	Direct	98.001	7200AA20CA00014	4,592,072	2,323,201
The Forest Data Partnership: Eliminating Supply Chain Deforestation and Catalyzing Ecosystem Restoration	Direct	98.001	7200AA21CA00035	564,844	-
Total for Assistance Listing number 98.001				5,845,115	2,601,474
USAID Hay Tao Program	Pact, Inc.	98.U01	72068718C00001	1,183,772	-
USAID Modern Cooking for Healthy Forests (MCHF) in Malawi	Tetra Tech ARD	98.U02	72061219C00005	43,668	-
USAID Forest and Biodiversity Support (FABS)	Tetra Tech ARD	98.U03	72060520C00001	97,754	-
USAID Pay-Go Liquid Petroleum Gas Program	Bboxx Capital	98.U04	72060520FA00002	264,500	-
Total for U.S. Agency for International Development				7,434,809	2,601,474
U.S. Department of Agriculture					
Timber Legality & Transparency	Direct	10.684	17-DG-11132762-124	38,287	11,000
Cost-Benefit Analysis: Natural and Forest-Based Infrastructure for Flood Control	Direct	10.699	19-CS-11132420-201	77,839	-
Combating Illegal Logging and Associated Trade and Promoting Trade in Legally-Sourced Forest Products	Direct	10.864	20-DG-11132762-228	545,124	109,715
Municipal Utility Green Performance Bond for Source Water Protection	U.S. Endowment for Forestry and Communities	10.U01	17-CS-11132544-004	73,473	-
Spurring Collective Action for Resilient Watershed Investments: A Blended Finance Strategy to Unlock Corporate, Utility, and Public Funds	U.S. Endowment for Forestry and Communities	10.664	19-CS-11132420-232	77,389	47,565
Total for U.S. Department of Agriculture				812,112	168,280
U.S. Department of Energy					
Addressing Regulatory Burdens To Accessing Solar Among Municipal, Commercial and Institutional Customers Through Collaborative Partnerships	Direct	81.087	DE-EE0009003	246,776	-
Support for the Clean and Advanced Energy Investment Accelerator (CAEIA) Biomass Expanded Efforts in Vietnam	National Renewable Energy Laboratory	81.087	DE-AC36-08GO28308	25,000	-
Total for Assistance Listing number 81.087				271,776	-
Total for U.S. Department of Energy				271,776	-
U.S. Department of State					
Providing Secretariat support to the High Level Panel for a Sustainable Ocean Economy (the Ocean Panel)	Direct	19.017	Ocean Panel DOS MOU	100,000	-
Nationally Determined Contribution Investment Accelerator (NDCIA) for the Low Emission Accelerator Partnership	Direct	19.017	SLMAQM16GR1180	6,914	-
Total for Assistance Listing number 19.017				106,914	-
WRI Building Cross-Agency Consensus in US-China Timber Trade in 2021	Direct	19.040	SCH50020GR2038	61,911	54,999
Strengthening cross-border collaboration to tackle illegal logging in the Congo Basin	Direct	19.705	SINLEC21GR3325	452,389	213,319
Total for U.S. Department of State				621,214	268,318
Total Federal Expenditures				$ 9,139,911	$ 3,038,072

The accompanying Note to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

World Resources Institute and Subsidiaries

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2022

NOTE A - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes all federal grants to the Institute that had expenditure activity during the year ended September 30, 2022. This Schedule has been prepared on the accrual basis of accounting for expenditures in accordance with accounting principles generally accepted in the United States of America. Grant revenues and expenditures are recorded for financial reporting purposes when the Institute has met the qualifications for the respective grants. Grant revenues are equivalent to grant expenditures. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

The Institute has not elected to use the 10% de minimis cost rate allowed under the Uniform Guidance.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
World Resources Institute and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of World Resources institute and Subsidiaries (collectively, the "Institute"), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2023.

Report on internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered the Institute's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Institute's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on compliance and other matters

As part of obtaining reasonable assurance about whether the Institute's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Arlington, Virginia
February 23, 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
World Resources Institute and Subsidiaries

Report on compliance for each major federal program

Opinion on each major federal program

We have audited the compliance of World Resources Institute and Subsidiaries (collectively, the "Institute") with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on the Institute's major federal program for the year ended September 30, 2022. The Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2022.

Basis for opinion on each major federal program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Institute's compliance with the compliance requirements referred to above.

Responsibilities of management for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Institute's federal programs.

Auditor's responsibilities for the audit of compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Institute's compliance based on our audit. 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 US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Institute's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on internal control over compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a

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material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Institute's internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Arlington, Virginia
June 22, 2023

World Resources Institute and Subsidiaries

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:		Unmodified		
Material weakness(es) identified?	______	yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	______	yes	X	none reported
Noncompliance material to financial statements noted?	______	yes	X	no

Federal Awards

Internal control over the major program:				
Material weakness(es) identified?	______	yes	X	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)	______	yes	X	none reported
Type of auditors' report issued on compliance for the major program:		Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______	yes	X	no

Identification of the major programs:

Federal Agency/Program Title	Assistance Listing Number
USAID Foreign Assistance for Programs Overseas	98.001

Dollar threshold used to distinguish between type A and type B programs:		$750,000		
Auditee qualified as low-risk auditee Uniform Guidance, Section 520?	X	yes	______	no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

SUPPLEMENTAL SCHEDULES

World Resources Institute and Subsidiaries

SCHEDULE OF INDIRECT COST RATE CALCULATION (FACILITY COSTS)

Year ended September 30, 2022

Direct Expenses	Program	Fundraising	Total Expenses
Salaries and stipends	$ 51,585,472	$ 806,515	$ 52,391,987
Fringe benefits	21,975,653	355,685	22,331,338
Research and conference expenses	24,676,553	331,616	25,008,169
Publications expenses	2,319,765	54,649	2,374,414
Communications expenses	2,409,966	1,917	2,411,883
Travel	3,373,692	18,991	3,392,683
Occupancy	3,149,310	56,311	3,205,621
Misc. costs	2,663,852	54,923	2,718,775
Subgrants	53,708,070	36,182	53,744,252
Total direct expenses	165,862,333	1,716,789	167,579,122
Less: costs of institutional cooperative agreements/subgrants	(53,708,070)	(36,182)	(53,744,252)
Total allowable direct expenses (allocation base)	$ 112,154,263	$ 1,680,607	$ 113,834,870

Facility Costs	Total Facility Cost
Salaries	3,706,138
Fringe benefits	1,612,265
Library and information services	225,520
Rent, postage, supplies and materials	383,758
Telephone and cables	530,331
Equipment rental and maintenance	3,242,442
Interest/Offsite storage/Misc. exp.	782,499
Depreciation and amortization	1,626,379
Total facility costs	12,109,332
Total allowable facility costs	$ 12,109,332

Calculation of Facility Cost Rate

Total allowable facility costs/total allowable direct expenses ($12,109,332/$113,834,870)	10.64%

World Resources Institute and Subsidiaries

SCHEDULE OF FRINGE BENEFIT RATE CALCULATION

Year ended September 30, 2022

Fringe Benefits	Regular and Term Staff	Temporary Staff	Total Expenses
PTO, holiday and other benefits	$ 10,789,357	$ -	$ 10,789,357
Employer payroll taxes	5,144,082	76,708	5,220,790
Group health	4,271,992	-	4,271,992
Retirement	4,592,039	-	4,592,039
Unemployment	162,037	7,326	169,363
Workers' compensation	59,276	1,128	60,404
Other	2,953,821	-	2,953,821
Total allocable costs	$ 27,972,604	$ 85,162	$ 28,057,766

Regular and Term Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries	$ 50,672,963	$ 806,515	$ 3,650,969	$ 1,700,090	$ 7,844,789	$ 64,675,326
Less: excluded salaries expense *	(341,530)	-	(138,823)	-	(183,235)	(663,588)
Total allowable labor base	$ 50,331,433	$ 806,515	$ 3,512,146	$ 1,700,090	$ 7,661,554	$ 64,011,738

Calculation of Fringe Benefit for Regular and Term Staff

Total allocable costs/total allowable labor base ($27,972,604/$64,011,738)	43.70%

Temporary Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries and stipends	$ 912,509	$ -	$ 55,168	$ -	$ 90,734	$ 1,058,411
Total allowable labor base	$ 912,509	$ -	$ 55,168	$ -	$ 90,734	$ 1,058,411

Calculation of Fringe Benefit for Temporary Staff

Total allocable costs/total allowable labor base ($85,162/$1,058,411)	8.05%

* Excluded salary expenses are fellowship stipends, intern programs and outside temporary help. These expenditures are excluded because they do not have a relationship to fringe benefit costs.

World Resources Institute and Subsidiaries

SCHEDULE OF INDIRECT COST RATE CALCULATION (GENERAL AND ADMINISTRATION)

Year ended September 30, 2022

	Programs	Fundraising	Total
Allowable total direct	$ 112,154,263	$ 1,680,607	$ 113,834,870
Total allocation base for general and administrative	$ 112,154,263	$ 1,680,607	$ 113,834,870

General and Administrative Expenses	
Salaries	$ 7,935,523
Benefits	3,370,869
Research expenses	195,960
Conference expenses	207,650
Publications expenses	16,004
Travel	307,220
Occupancy	515,384
Professional services	625,362
Memberships/fees/dues	112,593
Recruitment/relocation	582,915
Training and career development	144,240
Postage	518
Miscellaneous	1,244,384
Non-billable unallowable	1,383,248
Total general and administrative expenses	16,641,870
Less: non-billable unallowable	(1,383,248) *
Total allowable general and administrative expenses	$ 15,258,622

Calculation of General and Administrative Rate	
Total general and administrative/total allocation base for general and administrative ($15,258,622/$113,834,870)	13.40%

* Excluded unallowable expenses that are not chargeable to funders.

World Resources Institute and Subsidiaries

SCHEDULE OF INDIRECT COST RATE CALCULATION (SUBGRANT)

Year ended September 30, 2022

	Program	Fundraising	Total Expenses
Total subgrant costs	$ 53,708,070	$ 36,182	$ 53,744,252
Total allocation base for general and administrative	$ 53,708,070	$ 36,182	$ 53,744,252
General and Administrative Expenses			
Salaries			$ 1,700,090
Benefits			743,293
Other costs			145,420
Total general and administrative expenses			$ 2,588,803
Calculation of Subgrant Rate			
Total subgrant costs/total allocation base for general and administrative ($2,588,803/$53,744,252)			4.82%

NOTE TO SCHEDULES OF INDIRECT COST AND FRINGE BENEFIT RATE CALCULATIONS

September 30, 2022

NOTE A - BASIS OF ACCOUNTING

The calculation of allocation rates is prepared in accordance with the methodologies used by the Institute in negotiating its indirect facility cost, fringe benefit, and general and administrative cost rates with its oversight agency, the U.S. Agency for International Development.

Facility Cost Rate - represents total indirect costs less unallowable costs as a percentage of total direct costs, which includes fringe benefit costs, less all charges representing costs incurred pursuant to subcontract or subgrant agreements and unallowable costs.

Fringe Benefit Rate - represents the cost of total fringe benefit expenses as a percentage of total salary and wage charges that result in related fringe benefit expenses. Fringe benefit costs are included as a direct cost in the calculation of both the overhead, and the general and administrative cost rates.

General and Administrative Rate - represents all general and administrative expenses as a percentage of direct costs incurred, less charges representing costs incurred pursuant to subcontract or subgrant agreements.

Subgrant Pool Rate - represents subgrant-related salaries as a percentage of total subgrant costs.