

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, 2023 and 2022

## Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated statements of financial position	6
Consolidated statements of activities and changes in net assets	7
Consolidated statements of functional expenses	9
Consolidated statements of cash flows	11
Notes to consolidated financial statements	12
Supplemental Information	
Schedule of expenditures of federal awards	29
Note to schedule of expenditures of federal awards	30
Report of Independent Certified Public Accountants on Internal control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31
Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	33
Schedule of findings and questioned costs	36
Supplemental Schedules	
Schedule of indirect cost rate calculation (facility costs)	39
Schedule of fringe benefit rate calculation	40
Schedule of indirect cost rate calculation (general and administration)	41
Schedule of indirect cost rate calculation (subgrant)	42
Note to schedules of indirect cost and fringe benefit rate calculations	43
Management's Corrective Action Plan	44

---

**GRANT THORNTON LLP**

1000 Wilson Blvd., Suite 1500  
Arlington, VA 22209

**D** +1 703 847 7500

**F** +1 703 848 9580

**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, 2023 and 2022, 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, 2023 and 2022, 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.

**Emphasis of matter**

As discussed in Notes A and G to the consolidated financial statements, the Institute has adopted new accounting guidance in 2023 related to the accounting for leases. Our opinion is not modified with respect to this matter.

**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.

**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, 2023 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, 2023 on pages 39 - 43 are also presented for additional analysis and are not required parts of the consolidated financial statements.

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 May 10, 2024 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  
May 10, 2024

**World Resources Institute and Subsidiaries**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**September 30,**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 139,386,499	\$ 90,916,921
Grants, pledges and contracts receivable, net (Notes B and E)	253,691,905	178,943,762
Investments (Notes C and D)	111,114,715	100,181,421
Right-of-use assets - operating (Note G)	20,263,498	-
Other assets	3,715,372	3,604,212
Foreign currency forward contracts	1,277,595	6,282,574
Software, furniture, fixtures, and equipment, net (Note F)	3,816,607	4,620,135
	<b>\$ 533,266,191</b>	<b>\$ 384,549,025</b>
Total assets	<b>\$ 533,266,191</b>	<b>\$ 384,549,025</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 13,286,736	\$ 10,575,401
Accrued salaries and benefits	7,917,188	6,817,960
Deferred rent	-	3,045,315
Lease liabilities - operating (Note G)	23,057,768	-
Deferred revenue (Note B)	473,282	1,132,437
Funds held for others	-	1,774
	<b>44,734,974</b>	<b>21,572,887</b>
Total liabilities	<b>44,734,974</b>	<b>21,572,887</b>
<b>Net assets</b>		
Without donor restrictions		
Board designated - operating reserve (Note B)	33,832,110	25,364,752
Board designated - working capital reserve (Notes B and J)	3,523,649	3,523,649
	<b>37,355,759</b>	<b>28,888,401</b>
With donor restrictions (Note I)		
Restricted for specific purpose and/or passage of time	422,829,256	307,644,896
Reserve fund (endowment) - unappropriated earnings (Note J)	3,163,202	1,292,841
Reserve fund (endowment) - restricted in perpetuity (Note J)	25,183,000	25,150,000
	<b>451,175,458</b>	<b>334,087,737</b>
Total net assets	<b>488,531,217</b>	<b>362,976,138</b>
Total liabilities and net assets	<b>\$ 533,266,191</b>	<b>\$ 384,549,025</b>

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, 2023

	With Donor Restrictions				Total With Donor Restrictions	Total
	Without Donor Restrictions	Time and/or Purpose Restricted	Reserve Fund Unappropriated Earnings	Reserve Fund Restricted in Perpetuity		
<b>Operating revenues</b>						
Grants/contributions (Note E)	\$ 69,936,360	\$ 271,221,212	\$ -	\$ 33,000	\$ 271,254,212	\$ 341,190,572
Federal grants and cooperative agreements	13,298,439	-	-	-	-	13,298,439
Investment return, net	7,019,652	-	3,669,500	-	3,669,500	10,689,152
Other	704,718	-	-	-	-	704,718
Support from endowment income	1,799,139	-	(1,799,139)	-	(1,799,139)	-
Net assets released from program and time restrictions (Note I)	157,551,741	(157,551,741)	-	-	(157,551,741)	-
Total operating revenues	250,310,049	113,669,471	1,870,361	33,000	115,572,832	365,882,881
<b>Operating expenses</b>						
Policy research, technical support, and communications programs	213,441,897	-	-	-	-	213,441,897
Administration	19,160,353	-	-	-	-	19,160,353
Development	2,582,926	-	-	-	-	2,582,926
Total operating expenses	235,185,176	-	-	-	-	235,185,176
Change in net assets from operations	15,124,873	113,669,471	1,870,361	33,000	115,572,832	130,697,705
<b>Nonoperating activities</b>						
Loss due to foreign currency forward contracts adjustment (Note B)	(5,004,979)	-	-	-	-	(5,004,979)
(Loss) gain due to foreign currency adjustment (Note B)	(702,941)	1,514,889	-	-	1,514,889	811,948
Loss on the write-offs of uncollectible grants receivables	(949,595)	-	-	-	-	(949,595)
Change in net assets from nonoperating activities	(6,657,515)	1,514,889	-	-	1,514,889	(5,142,626)
<b>CHANGE IN NET ASSETS</b>	8,467,358	115,184,360	1,870,361	33,000	117,087,721	125,555,079
<b>Net assets, beginning of year</b>	28,888,401	307,644,896	1,292,841	25,150,000	334,087,737	362,976,138
<b>Net assets, end of year</b>	\$ 37,355,759	\$ 422,829,256	\$ 3,163,202	\$ 25,183,000	\$ 451,175,458	\$ 488,531,217

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, 2022

	Without Donor Restrictions	With Donor Restrictions			Total With Donor Restrictions	Total
		Time and/or Purpose Restricted	Reserve Fund Unappropriated Earnings	Reserve Fund Restricted in Perpetuity		
<b>Operating revenues</b>						
Grants/contributions (Note E)	\$ 65,155,480	\$ 123,869,080	\$ -	\$ -	\$ 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)	-	(5,297,998)	(7,650,826)
Other	89,516	-	-	-	-	89,516
Support from endowment income	1,730,032	-	(1,730,032)	-	(1,730,032)	-
Net assets released from program and time restrictions (Note I)	136,396,242	(136,396,242)	-	-	(136,396,242)	-
Total operating revenues	210,158,353	(12,527,162)	(7,028,030)	-	(19,555,192)	190,603,161
<b>Operating expenses</b>						
Policy research, technical support, and communications programs	180,379,948	-	-	-	-	180,379,948
Administration	15,432,750	-	-	-	-	15,432,750
Development	1,897,309	-	-	-	-	1,897,309
Total operating expenses	197,710,007	-	-	-	-	197,710,007
Change in net assets from operations	12,448,346	(12,527,162)	(7,028,030)	-	(19,555,192)	(7,106,846)
<b>Nonoperating activities</b>						
Gain due to foreign currency forward contracts adjustment (Note B)	5,221,281	-	-	-	-	5,221,281
(Loss) gain due to foreign currency adjustment (Note B)	(7,450,975)	1,137,826	-	-	1,137,826	(6,313,149)
Loss on the write-offs of uncollectible grants receivables	(1,209,120)	-	-	-	-	(1,209,120)
Change in net assets from nonoperating activities	(3,438,814)	1,137,826	-	-	1,137,826	(2,300,988)
<b>CHANGE IN NET ASSETS</b>	9,009,532	(11,389,336)	(7,028,030)	-	(18,417,366)	(9,407,834)
<b>Net assets, beginning of year</b>	19,878,869	319,034,232	8,320,871	25,150,000	352,505,103	372,383,972
<b>Net assets, end of year</b>	\$ 28,888,401	\$ 307,644,896	\$ 1,292,841	\$ 25,150,000	\$ 334,087,737	\$ 362,976,138

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, 2023

	Program									Total Expenses
	Food, Forests and Water, Ocean	Cities and Transport	Climate	Energy	Governance, Finance, Economics and Business	Shared and Special Projects	Total Program Expenses	Administration	Development	
Salaries	\$ 18,905,361	\$ 12,938,994	\$ 15,515,155	\$ 4,589,223	\$ 4,931,303	\$ 3,163,637	\$ 60,043,673	\$ 9,890,480	\$ 1,077,176	\$ 71,011,329
Fringe benefits	8,081,513	5,625,562	6,851,317	1,894,246	2,137,360	1,381,992	25,971,990	4,279,533	480,177	30,731,700
Research expenses	9,279,763	2,857,663	7,440,222	1,026,910	1,964,423	1,356,550	23,925,531	331,709	525,559	24,782,799
Conference expenses	1,973,776	730,316	800,371	312,331	163,295	409,134	4,389,223	262,127	4,815	4,656,165
Publication expenses	791,854	255,577	359,872	46,512	306,372	98,095	1,858,282	10,590	18,005	1,886,877
Communication expenses	1,191,616	240,941	780,047	132,897	141,805	113,077	2,600,383	12,484	89,828	2,702,695
Travel	2,725,642	1,381,796	1,164,343	497,992	896,095	499,795	7,165,663	849,331	36,160	8,051,154
Occupancy	1,348,699	746,710	988,189	231,537	269,925	227,979	3,813,039	670,251	64,565	4,547,855
Other direct costs	930,904	649,403	604,236	131,811	231,299	814,330	3,361,983	2,853,848	47,905	6,263,736
Subgrants	27,503,314	16,546,422	4,675,297	2,777,144	8,064,241	3,919,941	63,486,359	-	16,459	63,502,818
Library and information services	91,406	51,387	69,731	17,913	22,315	16,298	269,050	-	4,738	273,788
Indirect salaries	1,287,802	723,978	982,420	252,368	314,394	229,622	3,790,584	-	66,746	3,857,330
Indirect benefits	566,460	318,453	432,133	111,008	138,291	101,003	1,667,348	-	29,359	1,696,707
Subgrant pool salaries	1,204,992	724,942	204,837	121,674	353,316	171,743	2,781,504	-	721	2,782,225
Subgrant pool benefits	534,910	321,810	90,929	54,012	156,841	76,239	1,234,741	-	320	1,235,061
Subgrant pool other costs	107,830	64,872	18,330	10,888	31,617	15,369	248,906	-	65	248,971
Rent, postage, supplies and materials	132,925	74,728	101,404	26,049	32,451	23,701	391,258	-	6,889	398,147
Telephone and cables	164,872	92,688	125,775	32,310	40,250	29,397	485,292	-	8,545	493,837
Equipment rental and maintenance	1,167,619	656,413	890,736	228,816	285,053	208,192	3,436,829	-	60,517	3,497,346
Other indirect	354,617	199,359	270,525	69,493	86,573	63,230	1,043,797	-	18,379	1,062,176
Depreciation	501,609	281,995	382,660	98,299	122,459	89,440	1,476,462	-	25,998	1,502,460
Total expenses before G&A allocation	78,847,484	45,484,009	42,748,529	12,663,433	20,689,678	13,008,764	213,441,897	19,160,353	2,582,926	235,185,176
Allocation of administration costs	6,396,846	3,596,186	4,879,935	1,253,577	1,561,675	1,140,591	18,828,810	(19,160,353)	331,543	-
Total expenses after G&A allocations	\$ 85,244,330	\$ 49,080,195	\$ 47,628,464	\$ 13,917,010	\$ 22,251,353	\$ 14,149,355	\$ 232,270,707	\$ -	\$ 2,914,469	\$ 235,185,176

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

	Program									
	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	2,883,726	54,923	5,602,501
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	<u>57,650,722</u>	<u>38,707,367</u>	<u>38,905,315</u>	<u>7,480,715</u>	<u>21,869,962</u>	<u>15,765,867</u>	<u>180,379,948</u>	<u>15,432,750</u>	<u>1,897,309</u>	<u>197,710,007</u>
Allocation of administration costs	<u>4,602,193</u>	<u>2,896,557</u>	<u>3,889,579</u>	<u>759,667</u>	<u>1,833,446</u>	<u>1,223,466</u>	<u>15,204,908</u>	<u>(15,432,750)</u>	<u>227,842</u>	<u>-</u>
Total expenses after G&A allocations	<u>\$ 62,252,915</u>	<u>\$ 41,603,924</u>	<u>\$ 42,794,894</u>	<u>\$ 8,240,382</u>	<u>\$ 23,703,408</u>	<u>\$ 16,989,333</u>	<u>\$ 195,584,856</u>	<u>\$ -</u>	<u>\$ 2,125,151</u>	<u>\$ 197,710,007</u>

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,**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 125,555,079	\$ (9,407,834)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,503,924	1,626,379
Realized loss from sale of investments	1,498,171	343,326
Unrealized (gain) loss on investments	(6,444,261)	9,451,295
Change of discount on long-term contributions	11,358,941	(604,431)
Loss on the write-offs of uncollectible grants receivables	949,595	1,209,120
Unrealized loss (gain) on foreign currency forward contracts	5,004,979	(5,221,280)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(87,056,679)	(3,694,512)
Change in right-of-use assets - operating	3,451,126	-
Other assets	(111,160)	(410,994)
Accounts payable	2,711,335	3,301,929
Accrued salaries and benefits	1,099,228	569,988
Deferred rent	-	(407,745)
Change in lease liabilities - operating	(3,702,171)	-
Deferred revenue	(659,155)	709,336
Funds held for others	(1,774)	(31,600)
Net cash provided by (used in) operating activities	<u>55,157,178</u>	<u>(2,567,023)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales and maturities of investments	152,051,990	111,753,345
Purchase of investments	(155,039,212)	(109,780,166)
Reinvested interest/dividends	(2,999,982)	(1,902,739)
Purchase of software, furniture, fixtures, and equipment	(700,396)	(1,342,272)
Net cash used in investing activities	<u>(6,687,600)</u>	<u>(1,271,832)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	48,469,578	(3,838,855)
<b>Cash and cash equivalents, beginning of year</b>	<u>90,916,921</u>	<u>94,755,776</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 139,386,499</u>	<u>\$ 90,916,921</u>

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

## World Resources Institute and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2023 and 2022

#### 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 1,792-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”), WRI International, Inc, 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.

World Resources Institute Kenya was established in May 2022 as branch of WRI International Inc. through the Companies Act of 2015. WRI Kenya work with various partners including private organizations, national and county government, NGOs and other actors to change the human condition with work centered around

## World Resources Institute and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022

three main themes of people, nature, and climate. WRI Kenya programs are focused on Restoration, Energy access and transition to clean renewable energy, Climate adaptation and mitigation, and Air quality.

#### ***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 Resources 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:

##### Net Assets Without Donor Restrictions

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:

##### Board Designated - Operating Reserve

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

##### Board Designated - Working Capital Reserve

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.

## World Resources Institute and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022

#### Net Assets with Donor Restrictions

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 \$8,802,126 and \$6,186,104 for the years ended September 30, 2023 and 2022, respectively. For expense incurred in advance of receipts of funds from the sponsoring organization, the Institute recorded accounts receivable totaling \$3,191,734 and \$2,716,437 at September 30, 2023 and 2022, respectively. For amounts received in advance from the sponsoring organization, the Institute recorded deferred revenue totaling \$473,282 and \$1,132,437 at September 30, 2023 and 2022, 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.

## World Resources Institute and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022

During the years ended September 30, 2023 and 2022, foreign exchange fluctuations resulted in realized and unrealized gains totaling \$811,948 and losses totaling \$6,313,149 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, losses due to foreign currency forward contracts adjustments for the year ended September 30, 2023 and gains for the year ended September 30, 2022 totaled \$5,004,979 and \$5,221,281, 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, 2023, 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

## World Resources Institute and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022

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 \$8,747,223 and \$6,042,162 at September 30, 2023 and 2022, 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. WRI International, Inc is exempt from federal income tax under Section 501(c)(3) of the Code and is organized for charitable, educational, and scientific purposes, under the control of 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.

#### ***Reclassifications***

Certain prior year balances have been reclassified to conform to the current year presentation. Loss on the write-offs of uncollectible grants receivables totaling \$1,209,120 was reclassified in the statements of



**World Resources Institute and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2023 and 2022**

financial position from administration operating expenses to nonoperating activities. These reclassifications had no impact on the change in net assets or total net assets.

***Recently Adopted 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 elected the modified retrospective transition method and did not restate prior comparative periods. The standards also provide additional transition relief, of which the Institute has elected to (1) not reassess whether any expired or existing contracts are or contain leases, (2) retain the classification of leases (e.g., operating or finance lease) existing as of the date of adoption, (3) not reassess initial direct costs for any existing leases, and (4) not utilize hindsight when assessing lease term and ROU asset impairment. The Institute adopted this standard as of October 1, 2022.

**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, 2023 and 2022 consist of the Board-approved annual endowment draw of 4.25% of the trailing 12 quarter average of the donor-restricted endowment value, or approximately \$1.8 million and \$1.7 million for September 30, 2023 and 2022, respectively. This amount is also referred to as the endowment fund appropriation for the following year.

As of September 30, 2023, the Institute has approximately \$3.1 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.

**World Resources Institute and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2023 and 2022**

**NOTE C - INVESTMENTS**

Investments were as follows as of September 30:

	2023	2022
Money market funds	\$ 3,854,420	\$ 128,202
Equity securities	27,037,428	24,263,476
Mutual funds:		
Fixed income funds	75,640,557	71,584,160
Alternative investments:		
Hedge funds	150,017	80,272
Private equity funds	4,432,293	4,125,311
Total investments	\$ 111,114,715	\$ 100,181,421

**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.

**World Resources Institute and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2023 and 2022**

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, 2023.

	<u>Level 1</u>	<u>Reported at NAV</u>	<u>Total</u>
Money market funds	\$ 3,854,420	\$ -	\$ 3,854,420
Equity securities	27,037,428	-	27,037,428
Mutual funds:			
Fixed income funds	75,640,557	-	75,640,557
Alternative investments:			
Hedge funds	-	150,017	150,017
Private equity funds	-	4,432,293	4,432,293
<b>Total investments</b>	<b>\$ 106,532,405</b>	<b>\$ 4,582,310</b>	<b>\$ 111,114,715</b>

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.

	<u>Level 1</u>	<u>Reported at NAV</u>	<u>Total</u>
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
<b>Total investments</b>	<b>\$ 95,975,838</b>	<b>\$ 4,205,583</b>	<b>\$ 100,181,421</b>

The table below presents additional information for the Institute's investments, as of September 30, 2023 and 2022, 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.

	<u>Fair Value at 9/30/2023</u>	<u>Fair Value at 9/30/2022</u>	<u>Unfunded Commitments at 9/30/2023</u>	<u>Redemption Terms at 9/30/2023</u>	<u>Redemption Terms at 9/30/2022</u>
Hedge funds <sup>(a)</sup>	\$ 150,017	\$ 80,272	None	In liquidation	In liquidation
Private equity funds <sup>(b)</sup>	4,432,293	4,125,311	None	Upon liquidation	Upon liquidation
	<u>\$ 4,582,310</u>	<u>\$ 4,205,583</u>			

<sup>(a)</sup> 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.

**World Resources Institute and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2023 and 2022**

(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 through 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:

	2023	2022
U.S. government	2%	2%
Foundations	38	48
Foreign governments	55	29
International organizations	1	12
Corporations, individuals, and others	4	9
	<u>100%</u>	<u>100%</u>

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

	2023	2022
Due within one year	\$ 136,081,602	\$ 118,493,692
Due within one to five years	<u>130,828,598</u>	<u>62,283,379</u>
Total gross grants, pledges and contracts receivable	266,910,200	180,777,071
Less:		
Allowance for doubtful accounts	(281,063)	(255,018)
Unamortized discount on receivables	<u>(12,937,232)</u>	<u>(1,578,291)</u>
Grants, pledges, and contracts receivable, net	<u>\$ 253,691,905</u>	<u>\$ 178,943,762</u>

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, 2023 and 2022 ranged from 0.16% to 5.8% 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 new projects and existing projects of \$134,560,307 and \$26,881,164 during the years ended September 30, 2023 and 2022, respectively. The Institute has recorded revenue of \$86,988,849 and \$59,845,525 for the years ended September 30, 2023 and 2022, respectively, the extent to which the conditions on the contributions have been met. As of September 30, 2023 and 2022, the Institute had conditional contributions outstanding of \$129,759,413 and \$82,187,955, respectively. Contribution payments due over the ensuing three years are conditional based on progress and reporting satisfactorily to the donor.

**World Resources Institute and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2023 and 2022**

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

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

	2023	2022
Furniture, equipment and software	\$ 15,079,004	\$ 14,518,736
Leasehold improvements	6,377,618	6,264,253
Equipment	70,235	70,235
Artwork	8,825	8,825
	21,535,682	20,862,049
Less: accumulated depreciation and amortization	(17,719,075)	(16,241,914)
Furniture, fixtures, and equipment, net	\$ 3,816,607	\$ 4,620,135

**NOTE G - LEASES**

As described in Recently Adopted Accounting Pronouncements, we adopted new lease accounting guidance effective October 1, 2022. Upon adoption, ASC 842 Leases had an impact in the Institute's consolidated statements of financial position and in its consolidated statement of activities and change in net assets. As part of the transition, the Institute elected the following practical expedients:

- Package of practical expedients which eliminates the need to reassess (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) the initial direct costs for any existing leases.
- The practical expedient whereby the lease and non-lease components will not be separated for all classes of assets.
- Not to recognize ROU assets and corresponding lease liabilities with a lease term of 12 months or less from the lease commencement date.

For existing leases, the Institute did not elect the use of hindsight and did not reassess lease term upon adoption.

The Institute evaluates each of its lease and service arrangements at inception to determine if the arrangement is, or contains, a lease and the appropriate classification of each identified lease. A lease exists if the Institute obtains substantially all of the economic benefits of, and has the right to control the use of, an asset for a period of time. The Institute uses the risk-free rate of a comparable term to the lease term to calculate the present value of lease payments. Lease agreements that contain non-lease components are generally accounted for as a single lease component. The Institute combines lease and non-lease components, such as common area, management fees and other maintenance costs, in calculating the right-of-use assets and lease liabilities. The Institute elected to exclude leases with terms of 12 months (short-term) or less from the consolidated statements of financial position.

The Institute has assessed its lease arrangements in accordance with ASC 842, *Leases*. The Institute has determined that it does not have any finance leases as defined under ASC 842 as of September 30, 2023. Consequently, there are no finance lease liabilities or finance lease assets recognized on statement of financial position. The Institute continues to monitor its lease portfolio and will reassess the classification of leases as part of its ongoing lease accounting practices.

**World Resources Institute and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2023 and 2022**

The Institute adjusted the opening right-of-use asset balance based on its remaining deferred rent liabilities, rent abatement, and lease incentives. On October 1, 2022, the Institute recorded \$20,527,977 in operating lease ROU assets, and \$23,573,292 in operating lease liabilities. Operating lease assets exchanged for new lease liabilities totaled \$3,186,647. On September 30, 2023, the Institute recorded approximately \$20,263,498 in operating lease right-of-use assets and \$23,057,768 in operating lease liabilities. The adoption of ASC 842 had no significant impact on the Institute's consolidated statement of activities or cash flows.

The Institute has operating leases for real estate and has entered into various operating lease agreements with property owners.

The components of lease cost for the years ended September 30, 2023, were as follows:

Operating lease cost	\$ 3,451,125
Short-term lease cost	527,166
Variable costs	<u>97,575</u>
Total lease cost	<u>\$ 4,075,866</u>

The lease term and discount rate for operating leases is as follows:

Weighted average remaining lease term	5.38 years
Weighted average discount rate	3.85%

Future undiscounted minimum future lease payments under non-cancelable leases as of September 30, 2023, are as follows:

Years Ended September 30,	
2024	\$ 5,170,476
2025	4,852,875
2026	4,098,081
2027	4,090,732
2028	4,176,377
Thereafter	<u>3,211,188</u>
Total future lease payments	25,599,729
Less: imputed interest	<u>(2,525,023)</u>
Present value of lease liabilities	<u>\$ 23,057,768</u>

**World Resources Institute and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2023 and 2022**

Total rent expense under FASB ASC 840 (pre-adoption of the new lease standard) for operating expenses for the year ended June 30, 2022 totaled \$3,162,210. As of September 30, 2022, remaining future minimum rental payments under operating leases which extend through 2029 are payable as follows:

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

**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, 2023 and 2022 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, 2023 and 2022.

**NOTE I - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Cities and transport	\$ 65,864,114	\$ 73,361,318
Climate	63,928,867	38,456,727
Energy	13,763,475	9,864,569
Food, forests, water, and ocean	206,389,691	77,105,816
Equity	2,366,407	4,389,884
Finance	31,374,936	8,082,009
Business	580,312	13,247,883
Economics	1,221,243	163,455
Special studies/innovation	49,258,189	82,871,862
Development	1,532,131	2,079,130
Cynthia Helms Fellowship Fund	92,943	83,503
Foreign currency unrealized loss	(2,184,112)	(2,665,691)
Multi-year receivable discount	(11,358,940)	604,431
Endowment restricted in perpetuity	25,183,000	25,150,000
Cumulative unappropriated endowment earnings	<u>3,163,202</u>	<u>1,292,841</u>
 Total	 <u>\$ 451,175,458</u>	 <u>\$ 334,087,737</u>

**World Resources Institute and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2023 and 2022**

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:

	2023	2022
Cities and transport	\$ 37,534,125	\$ 26,431,348
Climate	29,829,467	32,334,792
Energy	7,206,286	6,133,968
Food, forests, water, and ocean	59,594,596	40,378,057
Equity	2,903,087	5,380,268
Finance	10,370,081	2,743,201
Business	892,802	7,406,261
Economics	1,117,157	1,149,008
Special studies/innovation	7,687,141	13,597,260
Development	416,999	842,079
Total	\$ 157,551,741	\$ 136,396,242

**NOTE J - ENDOWMENT FUNDS**

The Institute's donor restricted endowment funds totaling \$25,183,000 and \$25,150,000 (cost basis) at September 30, 2023 and 2022, respectively, 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.



## World Resources Institute and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2023 and 2022

#### ***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.

**World Resources Institute and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2023 and 2022**

***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, 2023.

During 2023 and 2022, \$1,799,139 and \$1,730,032, 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, 2023:

	Without Donor	With Donor Restrictions		Total
	Restrictions	Reserve Fund		
	Working Capital Reserve	Unappropriated Earnings	Restricted in Perpetuity	
Endowment net assets, beginning of year	\$ 3,523,649	\$ 1,292,841	\$ 25,150,000	\$ 29,966,490
Total investment return	-	3,669,500	-	3,669,500
Contributions	-	-	33,000	33,000
Appropriation of endowment assets for expenditure	-	(1,799,139)	-	(1,799,139)
Endowment net assets, end of year	\$ 3,523,649	\$ 3,163,202	\$ 25,183,000	\$ 31,869,851

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

	Without Donor	With Donor Restrictions		Total
	Restrictions	Reserve Fund		
	Working Capital Reserve	Unappropriated Earnings	Restricted in Perpetuity	
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

**World Resources Institute and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**September 30, 2023 and 2022**

**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, 2023 and 2022, totaled \$4,379,198 and \$3,819,842, respectively.

**NOTE L - RELATED PARTIES**

During the years ended September 30, 2023 and 2022, board members provided grants and the Institute recognized revenue totaling \$1,160,929 and \$1,660,352, respectively. As of September 30, 2023 and 2022, the Institute had grants receivable, net of a present value discount, of \$0 and \$250,000, respectively.

**NOTE M - SUBSEQUENT EVENTS**

The Institute evaluated its September 30, 2023 consolidated financial statements for subsequent events through May 10, 2024, 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, 2023

Federal Grantor Program Title	Direct Award or Pass-through Entity	Assistance Listing No.	Contract No.	Expenditures	Amount Passed through to Subrecipients
<b>U.S. Agency for International Development:</b>					
Global Forest Watch 3.0	Direct	98.001	7200AA19CA00027	\$ 686,593	\$ 77,787
Catalyzing Clean Air Solutions (CCAIRS)	Direct	98.001	7200AA20CA00014	4,042,574	1,586,781
The Forest Data Partnership: Eliminating Supply Chain Deforestation and Catalyzing Ecosystem Restoration	Direct	98.001	7200AA21CA00035	<u>1,706,228</u>	<u>1,128,954</u>
Total for Assistance Listing number 98.001				<u>6,435,395</u>	<u>2,793,522</u>
USAID Hay Tao Program	Pact, Inc.	98.U01	72068718C00001	417,263	-
USAID Modern Cooking for Healthy Forests (MCHF) in Malawi	Tetra Tech ARD	98.U02	72061219C00005	<u>53,356</u>	<u>-</u>
Total for U.S. Agency for International Development				<u>6,906,014</u>	<u>2,793,522</u>
<b>U.S. Department of Agriculture</b>					
Honduras Strategy & Economics	Blue Forest Finance	10.699	22-CS-11132762-349	10,509	-
Cost-Benefit Analysis: Natural and Forest-Based Infrastructure for Flood Control	Direct	10.699	19-CS-11132420-201	<u>101,272</u>	<u>-</u>
Total for Assistance Listing number 10.699				<u>111,781</u>	<u>-</u>
Combating Illegal Logging and Associated Trade and Promoting Trade in Legally-Sourced Forest Products	Direct	10.864	20-DG-11132762-228	648,055	39,631
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	<u>275,111</u>	<u>88,421</u>
Total for U.S. Department of Agriculture				<u>1,034,947</u>	<u>128,052</u>
<b>U.S. Department of Commerce</b>					
High Level Panel for a Sustainable Ocean Economy	Direct	10.478	NA22NOS4780225	<u>250,000</u>	<u>-</u>
Total for U.S. Department of Commerce				<u>250,000</u>	<u>-</u>
<b>U.S. Department of Energy</b>					
SolSmart Program Management	International City/County Management Association	81.117	DE-EE0009950	<u>66,840</u>	<u>-</u>
Total for U.S. Department of Energy				<u>66,840</u>	<u>-</u>
<b>U.S. Department of State</b>					
To assist countries to advance clean energy development by testing and proving innovative Business models and overcoming policy barriers to significantly accelerate private Sector investment into clean energy solutions, technologies, and system-levels	Direct	19.017	SLMAQM22GR0105	653,210	352,486
To build an air quality community of practice, and thereby increase air quality management Capacity, in Indonesia, Malaysia, and the Philippines	Direct	19.017	SAQMIP22CA0325	126,499	28,544
The NDC Partnership brings together 119 countries developed and developing and 84 institutional members to create and deliver on ambitious NDCs that help achieve The Paris Agreement and the Sustainable Development Goals SDGs	Direct	19.017	SAQMIP22GR0309	1,176,914	-
To support PREPAREs overarching objectives to improve adaptation planning and increase access to finance	Direct	19.017	SAQMIP22CA0059	<u>1,367,978</u>	<u>233,617</u>
Total for Assistance Listing number 19.017				<u>3,324,601</u>	<u>614,647</u>
Providing Secretariat support to the High Level Panel for a Sustainable Ocean Economy (the Ocean Panel)	Direct	19.U01	Ocean Panel DOS MOU	100,000	-
Facilitating Policy Coordination and Regulatory Cooperation in the U.S.-China Forest Products Trade	Direct	19.040	SCH50022GR0048	150,000	55,000
Strengthening cross-border collaboration to tackle illegal logging in the Congo Basin	Direct	19.705	SINLEC21GR3325	<u>811,081</u>	<u>333,745</u>
Total for U.S. Department of State				<u>4,385,682</u>	<u>1,003,392</u>
<b>National Aeronautics &amp; Space Administration (NASA)</b>					
High-Resolution Forest Carbon Monitoring and Modeling: Continued Prototype Development and Deployment to National and Glob	University of Maryland	43.U01	80NSSC21K1059	<u>42,838</u>	<u>-</u>
Total for National Aeronautics & Space Administration (NASA)				<u>42,838</u>	<u>-</u>
Total Federal Expenditures				<u>\$ 12,686,321</u>	<u>\$ 3,924,966</u>

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, 2023**

**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, 2023. 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.

---

**GRANT THORNTON LLP**

1000 Wilson Blvd., Suite 1500  
Arlington, VA 22209

**D** +1 703 847 7500

**F** +1 703 848 9580

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND DON 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, 2023, 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 May 10, 2024.

### **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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency in the Institute's internal control.

**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*.

**Institute's response to findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Institute's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Institute's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on the Entity's response.

**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.



Arlington, Virginia  
May 10, 2024



---

**GRANT THORNTON LLP**

1000 Wilson Blvd., Suite 1500  
Arlington, VA 22209

**D** +1 703 847 7500

**F** +1 703 848 9580

## **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 programs for the year ended September 30, 2023. The Institute's major federal programs are 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 programs for the year ended September 30, 2023.

#### **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 programs. 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 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 27, 2024

**World Resources Institute and Subsidiaries**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**September 30, 2023**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

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

**Federal Awards**

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

**Identification of the major programs:**

Federal Agency/Program Titles	Assistance Listing Numbers
Environmental and Scientific Partnerships and Programs	19.017
Trans-National Crime	19.705
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee Uniform Guidance, Section 520?	_____ <u>X</u> yes _____ no

**World Resources Institute and Subsidiaries**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**September 30, 2023**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

*FINDING 2023-001 Internal Control over Schedule of Expenditures of Federal Awards Preparation*

*Criteria*

The Uniform Guidance in 2 CFR 200.510 (b) states in part: "The auditee must also prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502 Basis for determining Federal awards expended."

*Condition*

The draft of the Schedule of Expenditures of federal awards included the following errors:

- Two fixed priced contracts under the Federal Acquisition Regulation (FAR) totaling \$517,792 were included in the SEFA although the Uniform Guidance explicitly excludes them from the SEFA under 2 CFR Section 200.101.
- One contract which the Institute considered a vendor relationship and not a subrecipient totaling \$115,000 was included in the SEFA.

*Cause*

The Institute did not have effective internal controls and policies and procedures in place to ensure accurate preparation of the SEFA in accordance with 2 CFR 200.502.

*Effect or potential effect*

The SEFA may not be fairly presented, in all material respects, in relation to the consolidated statements taken as a whole.

*Recommendation*

We recommend that the Institute strengthen its policies, procedures and controls to ensure that Federal expenditures reported on the SEFA are correct based on underlying Federal and grant requirements.

*Views of Responsible Officials*

Management agrees with the findings and recommendation. The Institute's accounting and grants team will review the schedule of expenditures of federal awards for accuracy and completeness before sharing it with the auditors.

**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, 2023**

<u>Direct Expenses</u>	<u>Program</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and stipends	\$ 60,043,673	\$ 1,077,176	\$ 61,120,849
Fringe benefits	25,971,989	480,177	26,452,166
Research and conference expenses	28,314,755	530,375	28,845,130
Publications expenses	1,858,283	18,005	1,876,288
Communications expenses	2,600,383	89,828	2,690,211
Travel	7,165,662	36,160	7,201,822
Occupancy	3,813,040	64,565	3,877,605
Misc. costs	3,361,983	47,905	3,409,888
Subgrants	63,486,360	16,459	63,502,819
Total direct expenses	196,616,128	2,360,650	198,976,778
Less: costs of institutional cooperative agreements/subgrants	<u>(63,486,360)</u>	<u>(16,459)</u>	<u>(63,502,819)</u>
Total allowable direct expenses (allocation base)	<u>\$ 133,129,768</u>	<u>\$ 2,344,191</u>	<u>\$ 135,473,959</u>

<u>Facility Costs</u>	<u>Total Facility Cost</u>
Salaries	\$ 3,857,330
Fringe benefits	1,696,706
Library and information services	273,787
Rent, postage, supplies and materials	397,106
Telephone and cables	493,837
Equipment rental and maintenance	3,497,346
Interest/Offsite storage/Misc. exp.	1,063,216
Depreciation and amortization	<u>1,502,461</u>
Total facility costs	<u>12,781,789</u>
Total allowable facility costs	<u>\$ 12,781,789</u>

**Calculation of Facility Cost Rate**

Total allowable facility costs/total allowable direct expenses (\$12,781,789/\$135,473,959)	<u>9.43%</u>
---	--------------

**World Resources Institute and Subsidiaries**  
**SCHEDULE OF FRINGE BENEFIT RATE CALCULATION**

Year ended September 30, 2023

<u>Fringe Benefits</u>	<u>Regular and Term Staff</u>	<u>Temporary Staff</u>	<u>Total Expenses</u>			
PTO, holiday and other benefits	\$ 12,986,683	\$ -	\$ 12,986,683			
Employer payroll taxes	6,092,789	66,852	6,159,641			
Group health	5,311,378	-	5,311,378			
Retirement	5,635,804	-	5,635,804			
Unemployment	173,660	2,271	175,931			
Workers' compensation	69,856	928	70,784			
Other	3,323,245	-	3,323,245			
<b>Total allocable costs</b>	<b>\$ 33,593,415</b>	<b>\$ 70,051</b>	<b>\$ 33,663,466</b>			
<u>Regular and Term Staff Labor</u>	<u>Programs</u>	<u>Fundraising</u>	<u>Facility</u>	<u>Subgrant</u>	<u>Administration</u>	<u>Total Labor</u>
Salaries	\$ 59,191,480	\$ 1,077,176	\$ 3,838,622	\$ 2,782,225	\$ 9,881,799	\$ 76,771,302
Less: excluded salaries expense *	(32,855)	-	(3,327)	-	(155,940)	(192,122)
<b>Total allowable labor base</b>	<b>\$ 59,158,625</b>	<b>\$ 1,077,176</b>	<b>\$ 3,835,295</b>	<b>\$ 2,782,225</b>	<b>\$ 9,725,859</b>	<b>\$ 76,579,180</b>
<b>Calculation of Fringe Benefit for Regular and Term Staff</b>						
Total allocable costs/total allowable labor base (\$33,593,415/\$76,579,180)						<u>43.87%</u>
<u>Temporary Staff Labor</u>	<u>Programs</u>	<u>Fundraising</u>	<u>Facility</u>	<u>Subgrant</u>	<u>Administration</u>	<u>Total Labor</u>
Salaries and stipends	\$ 852,194	\$ -	\$ 18,708	\$ -	\$ 8,681	\$ 879,583
<b>Total allowable labor base</b>	<b>\$ 852,194</b>	<b>\$ -</b>	<b>\$ 18,708</b>	<b>\$ -</b>	<b>\$ 8,681</b>	<b>\$ 879,583</b>
<b>Calculation of Fringe Benefit for Temporary Staff</b>						
Total allocable costs/total allowable labor base (\$70,051/\$879,583)						<u>7.96%</u>

\* 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, 2023

	<b>Programs</b>	<b>Fundraising</b>	<b>Total</b>
Allowable total direct	\$ 133,129,768	\$ 2,344,190	\$ 135,473,958
Total allocation base for general and administrative	\$ 133,129,768	\$ 2,344,190	\$ 135,473,958
<b>General and Administrative Expenses</b>			
Salaries			\$ 9,890,480
Benefits			4,279,533
Research expenses			331,709
Conference expenses			262,127
Publications expenses			10,590
Travel			849,331
Occupancy			670,251
Professional services			772,483
Memberships/fees/dues			134,459
Recruitment/relocation			387,069
Training and career development			123,135
Postage			316
Miscellaneous			1,315,601
Non-billable unallowable			133,269
Total general and administrative expenses			19,160,353
Less: non-billable unallowable			(133,269) *
Total allowable general and administrative expenses			\$ 19,027,084
<b>Calculation of General and Administrative Rate</b>			
Total general and administrative/total allocation base for general and administrative (\$19,027,084/\$135,473,958)			14.04%

\* 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, 2023**

	<u>Program</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Total subgrant costs	<u>\$ 63,486,360</u>	<u>\$ 16,459</u>	<u>\$ 63,502,819</u>
Total allocation base for general and administrative	<u>\$ 63,486,360</u>	<u>\$ 16,459</u>	<u>\$ 63,502,819</u>
<hr/> <b>General and Administrative Expenses</b> <hr/>			
Salaries			\$ 2,782,225
Benefits			1,235,061
Other costs			<u>248,971</u>
Total general and administrative expenses			<u>\$ 4,266,257</u>
<hr/> <b>Calculation of Subgrant Rate</b> <hr/>			
Total subgrant costs/total allocation base for general and administrative (\$4,266,257/\$63,502,819)			<u>6.72%</u>

**World Resources Institute and Subsidiaries**

**NOTE TO SCHEDULES OF INDIRECT COST AND FRINGE BENEFIT RATE CALCULATIONS**

**September 30, 2023**

**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.



## **Management's Corrective Action Plan**

**Finding Number:** 2023-001 *Internal Control over Schedule of Expenditures of Federal Awards Preparation*

### **Summary of Finding:**

The draft of the Schedule of Expenditures of federal awards included the following errors:

- Two fixed priced contracts under the Federal Acquisition Regulation (FAR) totaling \$517,792 were included in the SEFA although the Uniform Guidance explicitly excludes them from the SEFA under 2 CFR Section 200.101.
- One contract which the Institute considered a vendor relationship and not a subrecipient totaling \$115,000 was included in the SEFA.

### **Individual(s) Responsible for Corrective Action Plan:**

**Name:** Berhanu Desta

**Title:** Global Accounting Director

**Phone number:** 202-672-1914.

### **Management Response:**

Historically, a staff member from Accounting prepared the schedule and shared it with the Grants and Contracts Department for review, with minimal involvement from senior Accounting and Grants and Contracts staff. Moving forward, we have agreed that senior Accounting and Grants and Contracts staff will review the schedule for accuracy and completeness before sharing it with the auditors.

Additionally, we have improved the communication process between Accounting and Grants and Contracts to ensure additional information is received regarding contracts. Accordingly, we have changed our internal process for communicating new contract information using the New Project Set Up Form, which will help Accounting distinguish contracts that should be excluded from SEFA.

**Anticipated Completion Date:** 06/30/2024