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Consolidated Financial Statements and Independent Auditor's Report and Reports in Compliance with the Uniform Guidance

World Resources Institute and Subsidiaries

September 30, 2016 and 2015

World Resources Institute and Subsidiaries

Contents

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Report of Independent Certified Public Accountants

Board of Directors
World Resources Institute and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of World Resources Institute and subsidiaries (the "Institute"), which comprise the consolidated statements of financial position as of September 30, 2016 and 2015, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of World Resources Institute and subsidiaries as of September 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), for the year ended September 30, 2016 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The Schedules of Functional Expenses for the years ended September 30, 2016 and September 30, 2015, and the Schedules of Indirect Cost Rate Calculations and the Schedule of Fringe Benefit Rate Calculations for the year ended September 30, 2016 on pages 40 – 46 are also presented for additional analysis and are not a required part 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 the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 15, 2017, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

Grant Thornton LLP

Arlington, Virginia
February 15, 2017

World Resources Institute and Subsidiaries

Consolidated Statements of Financial Position

Year ended September 30,	2016	2015
Assets		
Cash and cash equivalents	$ 15,091,949	$ 8,227,152
Cash restricted (Note I)	54,760	71,595
Grants, pledges and contracts receivable, net (Note D)	46,247,058	44,594,398
Investments (Notes B and C)	36,727,548	37,855,374
Other assets	1,443,417	2,853,548
Furniture, fixtures, leases, and equipment, net (Note E)	8,637,170	3,898,925
Total Assets	$ 108,201,902	$ 97,500,992
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 6,320,911	$ 6,355,232
Accrued salaries and benefits	3,166,668	2,754,003
Obligation under capital leases (Note F)	26,268	33,408
Deferred rent	4,631,842	3,067,952
Deferred revenue	1,262,221	1,202,739
Funds held for others	65,956	74,157
Term loan (Note H)	1,904,762	—
Interest-rate swap agreement (Note H)	77,140	—
Line-of-credit (Note H)	—	3,000,000
Total Liabilities	17,455,768	16,487,491
Net Assets		
Unrestricted:		
Operating	887,233	339,227
Designated–working capital reserve	3,374,338	3,240,661
	4,261,571	3,579,888
Temporarily restricted	61,384,563	52,333,613
Permanently restricted	25,100,000	25,100,000
Total Net Assets	90,746,134	81,013,501
Total Liabilities and Net Assets	$ 108,201,902	$ 97,500,992

The accompanying notes are an integral part of these statements.

World Resources Institute and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets

Year ended September 30, 2016

	Unrestricted					
	Operating	Designated	Total	Temporarily Restricted	Permanently Restricted	Total
Revenues						
Grants/contributions and contracts	$ 43,866,422	$ —	$ 43,866,422	$ 46,316,535	$ —	$ 90,182,957
Federal grants and cooperative agreements	7,323,328	—	7,323,328	—	—	7,323,328
Investment return, net (Note B)	—	133,677	133,677	2,539,871	—	2,673,548
Publications	14,297	—	14,297	—	—	14,297
Other	(828,859)	—	(828,859)	—	—	(828,859)
Support from endowment income	2,020,716	—	2,020,716	(2,020,716)	—	—
Net assets released from program and time restrictions	37,784,740	—	37,784,740	(37,784,740)	—	—
Total Revenue	90,180,644	133,677	90,314,321	9,050,950	—	99,365,271
Expenses						
Policy research, technical support, and communications programs	81,920,569	—	81,920,569	—	—	81,920,569
Administration	5,629,895	—	5,629,895	—	—	5,629,895
Development	2,082,174	—	2,082,174	—	—	2,082,174
Total Expenses	89,632,638	—	89,632,638	—	—	89,632,638
Change in Net Assets	548,006	133,677	681,683	9,050,950	—	9,732,633
Net Assets, beginning of year	339,227	3,240,661	3,579,888	52,333,613	25,100,000	81,013,501
Net Assets, end of year	$ 887,233	$ 3,374,338	$ 4,261,571	$ 61,384,563	$ 25,100,000	$ 90,746,134

The accompanying notes are an integral part of this statement.

World Resources Institute and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets - Continued

Year ended September 30, 2015

	Unrestricted					
	Operating	**Designated**	**Total**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Revenues						
Grants/contributions and contracts	$ 31,787,366	$ —	$ 31,787,366	$ 36,215,753	$ —	$ 68,003,119
Federal grants and cooperative agreements	4,940,810	—	4,940,810	—	—	4,940,810
Investment return, net (Note B)	—	(121,743)	(121,743)	(2,313,122)	—	(2,434,865)
Publications	56,495	—	56,495	—	—	56,495
Other	(1,481,727)	—	(1,481,727)	—	—	(1,481,727)
Support from endowment income	1,978,588	—	1,978,588	(1,978,588)	—	—
Net assets released from program and time restrictions	39,398,785	—	39,398,785	(39,398,785)	—	—
Total Revenue	76,680,317	(121,743)	76,558,574	(7,474,742)	—	69,083,832
Expenses						
Policy research, technical support, and communications programs	70,433,448	—	70,433,448	—	—	70,433,448
Administration	5,017,102	—	5,017,102	—	—	5,017,102
Development	1,928,576	—	1,928,576	—	—	1,928,576
Total Expenses	77,379,126	—	77,379,126	—	—	77,379,126
Change in Net Assets from Operations	(698,809)	(121,743)	(820,552)	(7,474,742)	—	(8,295,294)
Less: Net Asset Releases Due to Foreign Currency Adjustment	610,318	—	610,318	(610,318)	—	—
Change in Net Assets	(88,491)	(121,743)	(210,234)	(8,085,060)	—	(8,295,294)
Net Assets, beginning of year	427,718	3,362,404	3,790,122	60,418,673	25,100,000	89,308,795
Net Assets, end of year	$ 339,227	$ 3,240,661	$ 3,579,888	$ 52,333,613	$ 25,100,000	$ 81,013,501

The accompanying notes are an integral part of this statement.

World Resources Institute and Subsidiaries

Consolidated Statements of Cash Flows

Year ended September 30,	**2016**	**2015**
Cash Flows from Operating Activities		
Change in net assets	$ 9,732,633	$ (8,295,294)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,627,900	939,052
Loss from disposal of equipment	—	82,276
Realized gain from sale of investments	(2,264,335)	(73,927)
Unrealized (gain) loss on investments	(153,020)	2,833,435
Reinvested interest/dividends	(447,399)	(485,414)
Change in fair value of interest rate swap agreement	77,140	—
Changes in operating assets and liabilities:		
Cash restricted – held for others	(16,835)	(13,480)
Grants and contracts receivable	(1,652,660)	(1,079,438)
Other assets	1,410,132	(2,028,794)
Accounts payable	(34,321)	2,438,369
Accrued salaries and benefits	412,665	99,742
Funds held for others	(8,201)	48,268
Deferred rent	1,563,890	2,899,764
Deferred revenue	59,482	514,660
Net Cash Provided by (Used in) Operating Activities	10,307,071	(2,120,781)
Cash Flows from Investing Activities		
Proceeds from sales of investments	11,705,406	2,352,192
Purchase of investments	(10,172,588)	(1,965,655)
Purchase of furniture, fixtures, and equipment	(3,870,926)	(3,217,749)
Net Cash Used in Investing Activities	(2,338,108)	(2,831,212)
Cash Flows from Financing Activities		
Advances on line-of-credit	5,000,000	3,000,000
Payments on line-of-credit	(8,000,000)	—
Payments on capital lease obligations	(8,928)	(1,700)
Advances on term loan	2,000,000	—
Payments on term loan	(95,238)	—
Net Cash (Used in) Provided by Financing Activities	(1,104,166)	2,998,300
Net Increase (Decrease) in Cash and Cash Equivalents	6,864,797	(1,953,693)
Cash and Cash Equivalents, beginning of year	8,227,152	10,180,845
Cash and Cash Equivalents, end of year	$ 15,091,949	$ 8,227,152
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 54,570	$ 1,608

The accompanying notes are an integral part of these statements.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Principles of Consolidation

World Resources Institute (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.

This report covers the activities of five closely related legal entities: the World Resources Institute (the Institute), the World Resources Institute Fund (WRIF), and the World Resources Institute India (WRII), WRI Environment Management Consultancy (Beijing) Co, Ltd. (WRI China), and WRI Europe Stichting (WRI Europe) Descriptions of the activities of each are provided below.

The Institute's work is carried out by 652-member interdisciplinary staff, strong in sciences, and augmented by a network of advisors, collaborators, fellows, and cooperating institutes in more than 50 countries. The Institute focuses on six critical issues: Climate, Energy, Food, Forests, Water, and Cities and Transport. Work on these six issues is supported by experts in four disciplinary centers: Business, Economics, Finance, and Governance.

The World Resources Institute Fund (WRIF) is a not-for-profit organization created in 1986 as a supporting organization to the Institute, and is included in these consolidated financial statements. Prior to fiscal year 2002, and after 2003, WRIF had no activities. In 2002 and 2003, WRIF activities included the operation of a capital campaign. Such activities have been shifted to the Institute since. WRIF is currently used to handle the Lee Schipper Scholarship Fund initiated by the Shell Foundation (see note I). The IRS has classified WRIF as exempt from federal income taxes under Section 501(c)(3) of the IRC. WRIF is an entity described under Section 509(a)(3) of the IRC and, therefore, not a private foundation.

The World Resources Institute India (WRII) is a company set up under the aegis of the Indian Companies Act 2013. It is a wholly owned subsidiary of the World Resources Institute, and has been set up to provide services including, but not limited to, research and analysis to collate and create information to improve and sustainably develop resources and services such energy, water, food and 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 70 member interdisciplinary staff, strong in sciences, and is augmented by a network of advisors, collaborators, fellows, and cooperating institutes across India.

WRI Environment Management Consultancy (Beijing) Co, Ltd. (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.

WRI Europe Stichting (WRI Europe) the Institute in Europe 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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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.

Classification of Net Assets

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

Operating–Unrestricted revenues and operating expenses of the Institute. Current investment earnings are available to support current operations.

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.

Temporarily Restricted–Contributions restricted, as to time or purpose, by the donor. When the purpose or time period restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted–Funds that are restricted by donors requiring that the principal be invested in perpetuity. The earnings on these funds are unrestricted and are used for operations in accordance with a spending policy approved by the Board of Directors.

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 unrestricted revenues.

Income from grants and contracts are currently recorded as unrestricted revenue when the costs are incurred. Amounts received that have not been expended are recorded as deferred revenue. The amount of expenses incurred in excess of funds received is included in grants and contracts receivable.

Grants from U.S. Agency for International Development (USAID) and other U.S. federal agencies are recognized to the extent that qualifying reimbursable expenses have been incurred over the terms of the respective agreements.

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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Foreign Currency-Continued

During the year ended September 30, 2016 and 2015, Foreign exchange fluctuations caused the Institute to lose $56,518 and $1,441,929 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.

Cash and Cash Equivalents

The Institute considers all highly liquid investment instruments purchased with an initial 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 market 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 the consolidated statement of activities.

Furniture, Fixtures and Equipment

Furniture, fixtures, and equipment are recorded at cost. 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 accounting principles generally accepted in the United States of America, 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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Concentration of Credit Risk

As of September 30, 2016, 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. At September 30, 2016, the uninsured amounts totaled $11,228,368. However, the Institute has not experienced any losses within these accounts and therefore believes it is not exposed to any significant credit risk associated with those deposits.

The Institute has cash in foreign accounts totaling $2,701,113 at September 30, 2016.

Income Tax

The Institute is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Institute 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. No material taxable unrelated business income was generated and, accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The tax years ending September 30, 2013, 2014, 2015 and 2016 are still open to audit for both federal and state purposes.

The Institute follows the accounting guidance that creates a single model to address uncertainty in tax positions and clarifies accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in its consolidated financial statements. Under the requirements of this guidance, organizations could now be required to record an obligation as the result of tax positions they have historically taken on various tax exposure items. 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. The Institute is not required to record such an obligation.

NOTE B—INVESTMENTS

Investments were as follows as of September 30:

	2016	2015
Money market funds	$ 996,517	$ 655,930
Equity securities	14,215,534	13,817,554
Debt securities	2,480,851	1,490,037
Alternative investments:		
Hedge funds	11,768,874	15,801,562
Fixed income fund	1,094,497	1,013,783
Emerging market fund	6,171,275	1,915,707
Real estate fund	—	3,160,801
Total investments	$ 36,727,548	$ 37,855,374

Investment return consists of the following for the years ended September 30:

	2016	2015
Realized gains	$ 2,264,335	$ 73,927
Unrealized gains (losses)	153,020	(2,833,435)
Dividends and interest	447,399	485,414
Investment management fees and foreign taxes	(191,206)	(160,771)
Total	$ 2,673,548	$ (2,434,865)

NOTE C—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.

In May 2015, the FASB issued Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2015-07"). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are measured at net asset value ("NAV") using the practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the practical expedient. ASU 2015-07 is effective for fiscal years beginning after December 15, 2016 and early adoption is permitted. The Institute early adopted this update and such provisions are reflected retrospectively for all periods presented in these financial statements

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 and Equity Securities

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.

Debt Securities

When quoted prices are available in an active market, debt securities are classified within Level 1 of the fair value hierarchy. Quoted prices in inactive markets are classified within Level 2. As of September 30, 2016 and 2015, all debt securities were valued using quoted prices in an active market.

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 assets 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 in accordance with the adoption of ASU 2015-07.

NOTE C—FAIR VALUE—Continued

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, 2016.

	Level 1	Reported at NAV	Total
Money market funds	$ 996,517	$ —	$ 996,517
Equity securities	14,215,534	—	14,215,534
Debt securities	2,480,851	—	2,480,851
Alternative investments:			
Directional/absolute hedge funds	—	11,768,874	11,768,874
Fixed income fund	—	1,094,497	1,094,497
Emerging market fund	—	6,171,275	6,171,275
Total investments	$ 17,692,902	$ 19,034,646	$ 36,727,548

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, 2015.

	Level 1	Reported at NAV	Total
Money market funds	$ 655,930	$ —	$ 655,930
Equity securities	13,817,554	—	13,817,554
Debt securities	1,490,037	—	1,490,037
Alternative investments:			
Directional/absolute hedge funds	—	15,801,562	15,801,562
Inflation hedge fund	—	3,160,801	3,160,801
Fixed income fund	—	1,013,783	1,013,783
Emerging market fund	—	1,915,707	1,915,707
Total investments	$ 15,963,521	$ 21,891,853	$ 37,855,374

NOTE C—FAIR VALUE—Continued

The table below presents additional information for the Institute's investments, as of September 30, 2016 and 2015, whose fair value is estimated using the practical expedient of reported net assets value (NAV). These disclosures are required for all investments that are eligible to be valued using the practical expedient regardless of whether the practical expedient has been applied.

	Fair Value at 9/30/2016	Fair Value at 9/30/2015	Unfunded Commitments	Expected Liquidation Term	Redemption Terms	Redemption Restrictions	Redemption Restrictions at 9/30/16
Hedge funds (a)	$ 11,768,874	$ 15,801,562	None	Not applicable	Annually (1 fund), Quarterly (3 funds), and Closed for Redemption (1 fund)	Between 60 - 105 days notice (3 funds) and Gated (2 funds)	2 funds are Gated
Inflation hedge fund (b)	—	3,160,801	None	Not applicable	Monthly	None	None
Fixed income fund (c)	1,094,497	1,013,783	None	Not applicable	Monthly	15 days notice	None
Emerging market fund (d)	6,171,275	1,915,707	None	Not applicable	Monthly	30 days notice	None
	$ 19,034,646	$ 21,891,853					

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

(b) This class includes an investment in an inflation hedge fund whose objective is long-term total return in excess of a customized blended benchmark. The fair value of this investment has been estimated using the NAV per share of the fund.

(c) This class includes investments in funds that invest primarily in international bonds. The fair values of these investments have been estimated using the NAV per share of the funds.

(d) This class includes investments in funds that invest primarily in equity stock and debt securities in emerging economies. The fair values of the investments have been estimated using the NAV per share of the fund.

NOTE D—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:

	2016	2015
U.S. government	3%	4%
Foundations	6%	18%
Foreign governments	56%	67%
International organizations	20%	2%
Corporations, individuals, and others	15%	9%
	100%	100%

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

	2016	2015
Due within one year	$ 39,173,116	$ 38,796,136
Due within one to five years	7,441,626	6,169,175
Total gross grants, pledges and contracts receivable	46,614,742	44,965,311
Less:		
Allowance for doubtful accounts	(215,891)	(186,904)
Unamortized discount on receivables	(151,793)	(184,009)
Grants, pledges, and contracts receivable, net	$ 46,247,058	$ 44,594,398

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, 2016 ranged from 1.88% to 2.37% Allowance for doubtful accounts is determined based on the average write-offs as a percentage of revenue over the last five years.

NOTE E—FURNITURE, FIXTURES, LEASES AND EQUIPMENT

Furniture, fixtures, and equipment consist of the following at September 30:

	2016	2015
Furniture, equipment and software	$ 8,295,554	$ 4,505,820
Leasehold improvements	6,047,354	3,470,944
Equipment under capital lease agreements	70,235	70,235
Artwork	8,825	8,825
	14,421,968	8,055,824
Less: accumulated depreciation and amortization	(5,784,798)	(4,156,899)
Furniture, fixtures, and equipment, net	$ 8,637,170	$ 3,898,925

Included in the leasehold improvements total above is $5,403 and $1,384,441 of assets not yet placed in service as of September 30, 2016 and 2015, respectively, and will not be depreciated until they are complete. Excluded from the furniture, fixtures and equipment total is $52,099 and $343,547 of assets not yet placed in service as of September 30, 2016 and 2015, respectively. These assets will not be depreciated until they are placed in service, and are included in the accompanying statement of financial position as other assets.

NOTE F—OBLIGATIONS UNDER CAPITAL LEASES

The Institute is obligated under capital lease agreements for certain copy equipment. The equipment is a postage machine and the US Post Office mandates that the Institute lease the equipment. The aggregate discounted lease payments are recorded as a liability. Obligations under capital leases and the fair market values of the related leased assets are capitalized and amortized over the related lease periods. Total assets capitalized pursuant to such agreements, and the related accumulated amortization at September 30, were as follows:

	2016	2015
Equipment under capital lease	$ 70,235	$ 70,235
Less: accumulated amortization	(45,210)	(37,511)
Equipment under capital lease, net	$ 25,025	$ 32,724

NOTE F—OBLIGATIONS UNDER CAPITAL LEASES—Continued

The future minimum lease payments under the capital lease agreements and the present value of the minimum lease payments and interest are as follows:

September 30,		
2017	$	8,928
2018		8,928
2019		8,928
2020		2,233
Total future minimum lease payments		29,017
Less: amount representing interest		(2,749)
Present value of minimum lease payments	$	26,268

Interest expense related to the capital leases was $1,788 and $1,608 respectively, for the years ended September 30, 2016 and 2015, respectively.

NOTE G—OFFICE LEASE COMMITMENTS AND RENT ABATEMENT

The Institute has entered into various operating lease agreements.

During 2007, the Institute renegotiated and extended its current lease for its Washington, DC office space, under an agreement which expires in February 2019. In 2015, the Institute extended the existing lease through December 2028. As part of the office building lease, the Institute received a total of six months of free rent; from February 2016 to July 2016. This rent abatement is being amortized on a straight-line basis over the life of the lease as a reduction of rent expense. Also as part of the office building lease, the Institute received a tenant allowance of $4,545,305. Tenant Allowance was $3,915,767 and $2,449,914 for the years ended September 30, 2016 and 2015, respectively, and is being amortized on a straight-line basis over the life of the lease as a reduction of rent expenses.

NOTE G—OFFICE LEASE COMMITMENTS AND RENT ABATEMENT—Continued

Minimum future rental payments under non-cancelable leases as of September 30, 2016 are as follows:

September 30,		
2017	$	3,311,571
2018		3,323,580
2019		2,046,611
2020		3,469,744
2021		3,547,913
Thereafter		27,498,482
Total	$	43,197,901

Rental expense for these leases was $3,617,739 and $3,515,871 for the years ended September 30, 2016 and 2015, respectively.

NOTE H—DEBT

The Institute entered into a 7-year term loan agreement with SunTrust Bank for an amount not to exceed $3,500,000. In April 28, 2015. On December 1, 2015, the Institute drew $2,000,000 on their term loan which bears interest at the daily floating London Interbank Offered Rate (LIBOR) plus 1.30 percent. Pursuant to the Security Agreement executed in connection with the term loan, the Institute has granted to SunTrust Bank a security interest in all of the Institute's assets as collateral.

Principle payments are as follows for the years subsequent to September 30, 2016:

September 30,		
2017	$	285,714
2018		285,714
2019		285,714
2020		285,714
2021		285,714
Thereafter		476,192
Total	$	1,904,762

NOTE H—DEBT—Continued

The Institute entered into an interest rate swap agreement, with an effective date of December 1, 2015, whereby the Institute agreed to swap its variable rate of interest of 1 month London Interbank Offered Rate (LIBOR) plus 1.30 percent for a fixed rate equal to 3.44 percent. The notional amount, per swap agreement, is $1,904,762 as of September 30, 2016 and is amortized monthly until the termination date on May, 28, 2023. The fair value of the swap agreement as of September 30, 2016 is a liability of $77,140. Net settlement transactions related to the swap agreement resulted in a net loss to the Institute totaling $11,182 for the year ended September 30, 2016.

As of and for the years ended September 30, 2016 and 2015, amounts included within the financial statements relating to the interest rate swap agreement are as follows:

Fair Value at September 30, 2016	Statement of Financial Position Location	Change in Value of Interest Rate Swap Agreement for the Year Ended September 30, 2016	Statement of Activities Location	Level Within Fair Value Hierarchy
$(77,140)	Interest-rate swap agreement	$(77,140)	Administration	Level 2

On April 28, 2015, the Institute entered into a revolving line-of-credit agreement with SunTrust Bank for $8,000,000 which bears interest at the daily floating LIBOR plus 1.30%. There was an outstanding balance of $0 and $3,000,000 as of September 30, 2016 and 2015, respectively.

NOTE I—RESTRICTED CASH

During 2012, the Shell Foundation provided a grant of $100,000 to EMBARQ, a WRI program in memory of the late Lee Schipper to establish a scholarship fund. Other smaller donors have since contributed an additional $6,325 to this effort. As of September 30, 2016 and 2015, this fund had a balance of $54,760 and $71,595, respectively.

NOTE J—TEMPORARILY RESTRICTED NET ASSETS

As of September 30, temporarily restricted net assets are restricted for the following programs:

	2016	2015
Cities & Transport (Embarq)	$ 15,300,518	$ 14,825,688
Climate (Climate & Energy)	3,268,931	3,763,270
Energy	1,184,332	2,000,858
Food Forests & Water (People & Ecosystems)	27,007,985	7,006,778
Governance (Institutions & Governance)	1,575,754	2,232,606
Finance	63,558	474,130
Business (Market & Enterprise)	319,286	281,638
Special Studies/Innovation	11,708,525	21,661,007
Communication & World Resources Report	114,000	191,000
Development	—	50,000
Cumulative unappropriated endowment earnings	600,835	81,680
Cynthia Helms Fellowship Fund	152,720	169,948
Foreign currency unrealized gain (loss)	56,518	(610,319)
Multi Year Receivable Discount	31,601	205,329
Total	$ 61,384,563	$ 52,333,613

Net assets released from restrictions by incurring expenses satisfying their restricted purposes during the years ended September 30, are as follows:

	2016	2015
Cities & Transport (Embarq)	$ 13,313,336	$ 10,129,848
Climate (Climate & Energy)	4,381,089	6,098,971
Energy	1,374,360	617,559
Food Forests & Water (People & Ecosystems)	5,703,039	7,404,007
Governance (Institutions & Governance)	2,548,802	3,306,429
Finance	974,130	1,061,560
Business (Market & Enterprise)	275,791	60,082
Special Studies/Innovation	8,378,794	9,867,090
Communication & World Resources Report	642,729	853,239
Development	192,670	—
Total	$ 37,784,740	$ 39,398,785

NOTE K—ENDOWMENT FUNDS

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 permanent endowment for the Institute.

After the Institute successfully met the terms of the loan agreement, an endowment was formally established at the level of $25 million (cost basis) on January 1, 1991, with earnings on the corpus expendable to support any activities of the Institute. The Institute's Board of Directors adopted a policy statement entitled *Endowment Fund: Purposes, Goals, and Policies*, 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 endowment against inflation. Investment earnings from the endowment (net of investment expenses) are recognized as temporarily restricted revenue.

In 2003 and 2007, two individuals contributed $100,000 and $250,000 respectively for the purpose of creating endowment funds to enable the Institute to hire interns. Under the directives of the donor, the $250,000 endowment was converted to contribution in 2012. Investment earnings from the endowment funds are recognized as temporarily restricted revenue and used to pay for interns.

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" (the Act), 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 accumulated 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 as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment required by the applicable donor gift instrument, if applicable.

Endowment Investment Policies

The Institute's investments are managed in accordance with the Board adopted Investment Policy Statement. The Institute's mission is to move human society to live in ways that protect earth's environment and its capacity to provide for the needs and aspirations of current and future generations. Our investments prioritize our mission and values and should be aligned such that we invest in companies/instruments that are fully transparent and sensitive to environmental and developmental issues. The investment strategy of the Institute is to emphasize total return; that is, the aggregate returns from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management for Endowment assets shall be:

> Long-term growth of capital, emphasizing long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

NOTE K—ENDOWMENT FUNDS—Continued

Endowment Investment Policies—Continued

The secondary objective in the investment management of Endowment assets shall be:

> Preservation of Purchasing Power After Spending - To achieve net returns (after management and custodial fees) in excess of the rate of inflation plus our spending guideline (see below) over the investment horizon in order to preserve purchasing power of Endowment assets. Risk control is an important element in the investment of Endowment assets.
>
> Over the established investment horizon of 10 years or longer, it is the goal of the aggregate Endowment assets to significantly exceed the rate of inflation (as measured by the Consumer Price Index) plus 1.0% over a market cycle.

The investment allocation is shown in Note B.

Endowment Spending Policy

The Board of Directors approves an operating budget and associated endowment draw annually. The Institute spending guideline shall normally be 5% of the trailing 12 quarter average market value of the investments. The Board may approve a deviation from the 5% guideline if deemed prudent.

During 2016 and 2015, respectively, $2,020,716 and $1,978,588 of these earnings were transferred from temporarily restricted to unrestricted operating net assets in accordance with the policy statement referred to above.

NOTE K—ENDOWMENT FUNDS—Continued

Endowment Net Assets Composition by Type of Fund as of September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ —	$ 600,835	$ 25,100,000	$ 25,700,835
Board-designated endowment funds	3,374,338	—	—	3,374,338
Total funds	$ 3,374,338	$ 600,835	$ 25,100,000	$ 29,075,173

Changes in Endowment Net Assets for the Year Ended September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,240,661	$ 81,680	$ 25,100,000	$ 28,422,341
Investment return				
Reinvested dividends and interest, unrealized appreciation	30,020	570,385	—	600,405
Realized appreciation, net fees	103,657	1,969,486	—	2,073,143
Total investment return	133,677	2,539,871	—	2,673,548
Appropriation of endowment assets for expenditure	—	(2,020,716)	—	(2,020,716)
Endowment net assets, end of year	$ 3,374,338	$ 600,835	$ 25,100,000	$ 29,075,173

NOTE K—ENDOWMENT FUNDS—Continued

Endowment Net Assets Composition by Type of Fund as of September 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ —	$ 81,680	$ 25,100,000	$ 25,181,680
Board-designated endowment funds	3,240,661	—	—	3,240,661
Total funds	$ 3,240,661	$ 81,680	$ 25,100,000	$ 28,422,341

Changes in Endowment Net Assets for the Year Ended September 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,362,404	$ 4,373,390	$ 25,100,000	$ 32,835,794
Investment return				
Reinvested dividends and interest, unrealized appreciation	(117,401)	(2,230,620)	—	(2,348,021)
Realized appreciation, net fees	(4,342)	(82,502)	—	(86,844)
Total investment return	(121,743)	(2,313,122)	—	(2,434,865)
Appropriation of endowment assets for expenditure	—	(1,978,588)	—	(1,978,588)
Endowment net assets, end of year	$ 3,240,661	$ 81,680	$ 25,100,000	$ 28,422,341

NOTE L—SIGNIFICANT CONTRACTS

The Institute was awarded a two-year core funding grant of $8,600,000 on October 1, 2012, by the Netherlands Ministry of Foreign Affairs for the program Sustainable Development in a Warming and Resource-Constrained World. An additional $375,000 was pledged in November 2013 to support Less Developed Countries (LDCs) in the post-2015 process. On June 17, 2014, a 3-year extension and additional $12,900,000 was awarded for core support. On September 15, 2014, an additional $132,000 was awarded for the project Towards a Transformative Post-2015 Agenda. As of September 30, 2016, the Institute has received $17,707,000 and has spent $16,865,094.

The Institute was awarded a five-year 75,000,000 SEK grant on October 1, 2012, by the Swedish International Development Cooperation Agency (SIDA) to support poverty alleviation, effective management of natural resources and protection of the environment. As of September 30, 2016, the Institute has received $8,258,999 and has spent $8,535,946.

The Institute was awarded a two-year 15,000,000 DKK grant in July of 2013, by the Danish Ministry of Foreign Affairs that will support the Institute's core funding activities and Global Green Growth Forum. In March 2015, an additional 22,500,000 DKK was granted to support the Institute's Strategic Plan 2014-2017 "Scaling our Impact in Urgent Times" and extended the grant period through June 2017. As of September 30, 2016, the Institute has received $4,886,799 and has spent $3,654,114

The Institute was awarded a one-year contract of 200,000 EUR in June 2013, by Irish Aid to support governance, adaptation, environmental mainstreaming and food and water security initiatives in Africa. In November 2013, an additional one-year contract of 200,000 EUR was awarded for support of the Adaptation and Financial Accountability Project in Uganda and Zambia. In August 2014, the Institute was awarded an additional one-year contract of 500,000 EUR for continuation of activities in particular those geared towards Sub-Saharan Africa. In July 2015, an additional 600,000 EUR was pledged for continuation of the work for another year as outlined in the Institute Strategic Plan 2014-2017. As of September 30, 2016, the Institute has received and spent the entire grant amount of $1,842,580.

In February 2015, the Children's Investment Fund Foundation awarded the Institute a $2,020,796 grant for the first year of a proposed three-year programme to assist the Brazilian government and cities in planning and implementing sustainable transport and development projects. In May 2016, the year 2 grant of $944,554 was awarded for project running from January 1, 2016 through December 31, 2016. With achievement of an agreed upon set of key performance indicators and deliverables, an additional $3,261,793 will be awarded for the final year from January 1, 2017 through December 31, 2017. As of September 30, 2016, the Institute has received $2,328,899 and has spent $2,804,035.

In April 2015, the Children's Investment Fund Foundation awarded the Institute a $1,976,717 grant for the first year of a proposed three year-programme to assist the government in mitigating GHG emissions from the transport sector in Chinese cities. In September 2016, the year 2 grant of $1,856,062 was awarded for project running from April 1, 2016 through March 31, 2017. With achievement of an agreed upon set of Key Performance Indicators, deliverables and Annual Review, an additional $1,236,221 will be awarded for the final year from April 2017 through February 28, 2018. As of September 30, 2016, the Institute has received $2,402,413 and has spent $2,397,029.

NOTE L—SIGNIFICANT CONTRACTS—Continued

In August 2015, the Children's Investment Fund Foundation awarded the Institute a $155,567 grant to support the launching of the MRV trust fund initiative. In June 2016, an additional $111,849 was awarded to the Institute for the same project. As of September 30, 2016, the Institute has received the full amount of $267,416 and has spent $250,101.

In April 2015, the Inter-American Development Bank awarded the Institute the first year of a three-year grant of up to $2,336,419 to promote the development and transfer of environmentally sound technologies in Latin America and the Caribbean to reduce GHG emissions and reduce the regions vulnerability to climate change in specific sectors. Year 1 of the project will run from April 27, 2015 through April 26, 2016 with an approved budget of $642,684. The subsequent two years of activities and remaining budget of $1,693,735 will be undertaken and disbursed upon successful completion of year one and approval of the subsequent years' workplans. As of September 30, 2016, the Institute has received $301,000 and has spent $591,849.

The Institute was awarded a three-year contract of $1,120,161 in July 2014, by the United Nations Environment Programme (UNEP) to provide support to developing countries in strengthening their national capacities to manage climate financing. In February 2016, an additional $436,730 was awarded to the Institute for additional activities to be performed in this project. As of September 30, 2016, the Institute has received $824,976 and has spent $1,219,853.

The Institute initiates and completes a substantial portion of its projects within the Food Forests & Water, Governance Center and Climate Programs pursuant to cooperative agreements and contracts from the U.S. Agency for International Development. The revenue pursuant to these cooperative agreements and contracts was $6,959,449 and $4,332,112 for the years ended September 30, 2016 and 2015, respectively. Such revenue accounted for approximately 7.82 percent and 5.71 percent of total federal and non-federal grants, contributions, and cooperative agreement revenues during the years ended September 30, 2016 and 2015, respectively.

NOTE M—EMPLOYEE BENEFITS

The Institute contributes either 5 percent or 8 percent (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, 2016 and 2015, was $1,662,090 and $1,481,967, respectively.

NOTE N—RELATED PARTIES

During the year ended September 30, 2014, a board member provided a grant in the amount of $30,500,000 conditioned upon meeting certain annual milestones through June 1, 2020. As of September 30, 2016, $15,000,000 of this grant has been recognized as grant revenue, $5,000,000 of which was recognized during the year ended September 30, 2016.

Additional board member contributions of $299,100 and $680,094 were recognized for the years ended September 30, 2016 and 2015, respectively.

NOTE O—SUBSEQUENT EVENTS

The Institute evaluated its September 30, 2016 consolidated financial statements for subsequent events through February 15, 2017, the date the financial statements were available to be issued.

On October 24, 2016, the Institute entered into a revolving line-of-credit agreement with SunTrust Bank to increase the existing $8,000,000 revolving line of credit to $9,500,000, which bears interest at the daily floating London Interbank Offered Rate (LIBOR) plus 1.30%. There was an outstanding balance of $0 as of February 15, 2017.

The Institute is not aware of any other 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, 2016

Federal Grantor Program Title	Pass Through Entity	CFDA No.	Contract No.		Federal Expenditures	Amount passed through to Subrecipients
U.S. Agency for International Development:						
USAID Foreign Assistance for Programs Overseas - Forestry Legality Alliance	N/A	98.001	AID-EEM-A-00-09-0012-00	$	1,122,830	107,569
Sustainable Landscapes, Clean Energy & Adaptation	N/A	98.001	AID-OAA-A-13-00045		1,657,510	—
Strengthening Central Africa Env. Mgmt and Policy Support (SCAEMPS)	N/A	98.001	AID-660-A-14-00002		3,802,577	2,498,189
Energy Efficiency and Renewable Energy Program LWA	Winrock International	98.001	11/4/6349		43,497	—
Africa Biodiversity Collaborative Group (ABCG) II: Hosting & Management Services	Wildlife Conservation Society	98.001	AID-OAA-A-15-00060		88,315	6,236
Mekong Adaptation and Resilience to Climate Change (Mekong)	Development Alternatives, Inc.	98.001	1001620-11S-19951-00		31,892	—
Restoring the Environment through Prosperity, Livelihoods and Conserving Ecosystems (REPLACE)	Associates in Rural Development, Inc.	98.001	AID-OOA-I-12-00032		110,521	—
Productive Landscapes (PROLAND)	Associates in Rural Development, Inc.	98.001	AID-OOA-I-13-00058		96,239	—
Tenure and Global Climate Change	Associates in Rural Development, Inc.	98.001	AID-OOA-I-12-00032		6,068	—
Total for CFDA number 98.001					6,959,449	2,611,994
Total for U.S. Agency for International Development					6,959,449	2,611,994
U.S. Department of Energy						
EC-LEDS	Alliance for Sustainable Energy	81.087	LXL-3-23251-01		80,457	—
US-China Clean Energy Research Center Advanced Coal Technology Collaboration	West Virginia University	81.087	10-733-WRI		102,537	—
US-China Clean Energy Research Center Advanced Coal Technology Collaboration	West Virginia University	81.087	10-733-WRI-2		55,055	—
Total for CFDA number 81.087					238,049	—
Fossil Energy Research and Development	University of Illinois at Urbana-Champaign	81.089	DE-FC26-05NT42588		2,500	—
Total for U.S. Department of Energy					240,549	—
U.S. Department of Agriculture						
Environmental Quality Incentives Program	Chesapeake Bay Foundation	10.912	69-3A75-12-209		5,852	—
The Chesapeake Bay Nutrient Trading Tool (CBNTT)	Chesapeake Bay Foundation	10.912	69-3A75-16-038		3,694	—
Total for CFDA number 10.912					9,546	—
Building Capacity for Sustainable Resources Management	N/A	10.684	14-DG-11132762-129		39,993	—
Building Capacity for Sustainable Resources Management	N/A	10.684	69-3A75-16-005		64,779	600
Total for CFDA number 10.684					104,772	600
Total for U.S. Department of Agriculture					114,318	600
U.S. Department of Defense						
Water Risk and Opportunity Mapping	U.S. Endowment for Forestry and Communities	12.000	N/A		9,012	—
Total for U.S. Department of Defense					9,012	—
Total Federal Expenditures				$	7,323,328	2,612,594

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

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, 2016. 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 (CFR) 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.

NOTE B—CATALOG OF FEDERAL DOMESTIC ASSISTANCE

Catalog of Federal Domestic Assistance (CFDA) numbers are not assigned to the U.S. Agency for International Development grants and contracts. However, because of their similarities, we have considered all such contracts as one program for determination in applying the Uniform Guidance.

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Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Board of Directors
World Resources Institute and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of World Resources Institute and Subsidiaries (the "Institute"), which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2017.

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") to design 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

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

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

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 determination of financial statement amounts. 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*.

Intended Purpose

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

Grant Thornton LLP

Arlington, Virginia
February 15, 2017

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Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
World Resources Institute and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited the compliance of World Resources Institute and Subsidiaries (the "Institute") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Institute's federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Institute's compliance.

Grant Thornton

Opinion on Each Major Federal Program

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 each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the Institute is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. 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. However, material weaknesses may exist that have not been identified.

Intended Purpose

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
February 21, 2017

Section I	***Summary of Auditor's Results***
Financial Statements	
1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
c. Noncompliance material to the financial statements noted?	No
Federal Awards	
1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
2. Type of auditor's report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)?	No
4. Identification of major program:	
Federal Agency/Program Title	**CFDA**
USAID Foreign Assistance for Programs Overseas	98.001
5. Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
6. Auditee qualified as a low-risk auditee under Uniform Guidance, Section 520?	Yes

Section II—Financial Statement Findings

None reported

Section III—Federal Award Findings and Questioned Costs

None reported

Supplemental Schedules

World Resources Institute and Subsidiaries

Schedule of Functional Expenses

Year ended September 30, 2016

	Food, Forests and Water	Cities and Transport	Climate	Energy	Governance, Finance and Business Centers	Shared and Special Projects	Total Program Expenses	Administration	Development	Total Expenses
Salaries	$ 5,426,633	$ 4,921,350	$ 3,548,098	$ 751,550	$ 3,176,719	$ 2,733,511	$ 20,557,861	$ 2,237,598	$ 1,036,010	$ 23,831,469
Fringe Benefits	2,242,888	1,936,966	1,460,745	309,887	1,329,355	1,079,151	8,358,992	930,253	439,047	9,728,292
Research Expenses	1,771,241	1,694,444	872,163	71,831	522,120	1,875,606	6,807,405	105,662	43,564	6,956,631
Conference Expenses	562,084	449,876	285,104	32,844	132,496	100,836	1,563,240	79,763	24,583	1,667,586
Publication Expenses	343,004	346,022	186,797	45,244	153,841	360,873	1,435,781	46,010	25,566	1,507,357
Communication Expenses	1,509,355	64,779	187,837	147,792	7,559	435,742	2,353,064	295	—	2,353,359
Travel	939,863	1,040,596	510,511	81,668	447,152	409,470	3,429,260	270,192	87,552	3,787,004
Occupancy	760,947	680,611	459,591	89,843	392,090	332,655	2,715,737	321,135	133,868	3,170,740
Other Direct Costs	348,191	258,003	169,300	28,270	142,863	33,806	980,433	1,638,987	83,891	2,703,311
Subgrants	12,508,734	8,687,161	1,228,709	291,656	697,551	3,334,024	26,747,835	—	—	26,747,835
Rent	(74,635)	(61,154)	(41,226)	(8,368)	(33,840)	(39,516)	(258,739)	—	(10,060)	(268,799)
Library and information services	52,384	42,922	28,935	5,873	23,751	27,735	181,600	—	7,061	188,661
Indirect Salaries	418,710	343,077	231,279	46,945	189,844	221,688	1,451,543	—	56,436	1,507,979
Indirect Benefits	175,811	144,054	97,111	19,712	79,713	93,084	609,485	—	23,697	633,182
Subgrant Pool Salaries	477,241	331,438	46,878	11,127	26,613	127,202	1,020,499	—	—	1,020,499
Subgrant Pool Benefits	203,818	141,549	20,021	4,752	11,366	54,325	435,831	—	—	435,831
Subgrant Pool Other Costs	75,977	52,765	7,463	1,772	4,237	20,251	162,465	—	—	162,465
Supplies and materials	57,031	46,729	31,502	6,394	25,858	30,195	197,709	—	7,687	205,396
Postage	783	642	433	88	355	415	2,716	—	106	2,822
Telephone and cables	115,835	94,912	63,983	12,987	52,520	61,329	401,566	—	15,613	417,179
Equipment rental and maintenance	249,246	204,224	137,674	27,945	113,009	131,965	864,063	—	33,595	897,658
Other Indirect	96,704	79,236	53,416	10,843	43,846	51,200	335,245	—	13,034	348,279
Depreciation	452,008	370,360	249,672	50,679	204,941	239,318	1,566,978	—	60,924	1,627,902
Total Expenses	28,713,853	21,870,562	9,835,996	2,041,334	7,743,959	11,714,865	81,920,569	5,629,895	2,082,174	89,632,638
Allocation of administration costs	1,563,213	1,280,845	863,459	175,266	708,764	827,650	5,419,197	(5,629,895)	210,698	
Total Expenses After G&A Allocations	30,277,066	23,151,407	10,699,455	2,216,600	8,452,723	12,542,515	87,339,766	-	2,292,872	89,632,638

This schedule should be read in conjunction with the accompanying Report of Independent Certified Public Accountants and the Consolidated Financial Statements and Notes thereto.

World Resources Institute and Subsidiaries

Schedule of Functional Expenses - Continued

Year ended September 30, 2015

	Food, Forests and Water	Cities and Transport	Climate	Energy	Governance, Finance and Business Centers	Shared and Special Projects	Total Program Expenses	Administration	Development	Total Expenses
Salaries	$ 4,689,831	$ 4,029,393	$ 3,712,416	$ 568,006	$ 2,833,102	$ 2,549,600	18,382,348	$ 2,154,821	$ 957,164	$ 21,494,333
Fringe Benefits	1,937,131	1,670,123	1,553,504	234,960	1,126,735	1,037,541	7,559,994	910,823	401,715	8,872,532
Research Expenses	1,789,772	976,406	1,192,194	75,710	407,954	1,251,701	5,693,737	31,052	31,605	5,756,394
Conference Expenses	421,464	209,150	313,827	20,513	160,071	283,482	1,408,507	47,899	38,350	1,494,756
Publication Expenses	195,346	243,112	544,242	9,075	117,768	496,935	1,606,478	7,181	33,515	1,647,174
Communication Expenses	1,401,136	83,979	136,545	68,083	19,709	247,575	1,957,027	720	4,100	1,961,847
Travel	888,905	864,617	544,189	61,419	392,192	425,725	3,177,047	141,685	70,403	3,389,135
Occupancy	709,267	563,369	535,025	86,362	425,088	362,823	2,681,934	331,621	130,480	3,144,035
Other Direct Costs	314,879	236,938	171,555	26,226	135,867	166,802	1,052,267	1,391,300	66,373	2,509,940
Subgrants	7,648,440	6,644,947	1,594,859	276,957	753,847	4,023,611	20,942,661	—	—	20,942,661
Rent	73,971	53,180	52,140	6,891	33,658	40,870	260,710	—	10,386	271,096
Library and information services	52,947	38,065	37,321	4,933	24,092	29,254	186,612	—	7,434	194,046
Indirect Salaries	357,915	257,314	252,282	33,344	162,859	197,750	1,261,464	—	50,254	1,311,718
Indirect Benefits	152,207	109,425	107,285	14,181	69,257	84,094	536,449	—	21,371	557,820
Subgrant Pool Salaries	242,340	210,544	50,533	8,775	23,886	127,488	663,566	—	—	663,566
Subgrant Pool Benefits	103,242	89,696	21,528	3,738	10,176	54,313	282,693	—	—	282,693
Subgrant Pool Other Costs	48,779	42,379	10,171	1,766	4,808	25,661	133,564	—	—	133,564
Supplies and materials	48,387	34,787	34,107	4,508	22,017	26,734	170,540	—	6,794	177,334
Postage	1,223	879	863	114	556	675	4,310	—	172	4,482
Telephone and cables	102,782	73,892	72,447	9,575	46,768	56,788	362,252	—	14,431	376,683
Equipment rental and maintenance	299,783	215,521	211,307	27,929	136,407	165,632	1,056,579	—	42,092	1,098,671
Other Indirect	42,455	30,522	29,925	3,955	19,319	23,457	149,633	—	5,961	155,594
Depreciation	256,230	184,210	180,607	23,871	116,590	141,568	903,076	—	35,976	939,052
Total Expenses	21,778,432	16,862,448	11,358,872	1,570,891	7,042,726	11,820,079	70,433,448	5,017,102	1,928,576	77,379,126
Allocation of administration costs	1,368,966	984,182	964,937	127,537	622,908	756,360	4,824,890	(5,017,102)	192,212	—
Total Expenses After G&A Allocations	$ 23,147,398	$ 17,846,630	$ 12,323,809	$ 1,698,428	$ 7,665,634	12,576,439	75,258,338	$ —	$ 2,120,788	$ 77,379,126

This schedule should be read in conjunction with the accompanying Report of Independent Certified Public Accountants and the Consolidated Financial Statements and Notes thereto.

World Resources Institute and Subsidiaries

Schedule of Indirect Cost Rate Calculation (Facility Costs)

Year ended September 30, 2016

Direct Expenses	Programs	Fundraising	Total Expenses
Salaries and Stipends	$ 20,557,861	$ 1,036,010	$ 21,593,871
Fringe Benefits	8,358,992	439,047	8,798,039
Research & Conference Expenses	8,370,645	68,147	8,438,792
Publications Expenses	1,435,781	25,566	1,461,347
Communications Expenses	2,353,064	—	2,353,064
Travel	3,429,260	87,552	3,516,812
Occupancy	2,715,737	133,868	2,849,605
Misc. Costs	980,433	83,891	1,064,324
Subgrants	26,747,835	—	26,747,835
Total direct expenses	74,949,608	1,874,081	76,823,689
Less: Costs of institutional cooperative agreements/subgrants	(26,747,835)	—	(26,747,835)
Total Allowable Direct Expenses (Allocation Base)	$ 48,201,773	$ 1,874,081	$ 50,075,854

Facility Costs	Total Facility Cost
Rent	$ (268,799)
Salaries	1,507,979
Fringe Benefits	633,182
Library and Information Services	188,661
Supplies and Materials	205,396
Postage	2,822
Telephone and Cables	417,179
Equipment Rental and Maintenance	897,658
Interest/Offsite storage/Misc. Exp.	348,279
Depreciation and Amortization	1,627,902
Total facility costs	5,560,259
Total Allowable Facility Costs	$ 5,560,259

Calculation of Facility Cost Rate:

Total allowable facility costs/total allowable direct expenses ($5,560,259/$50,075,854)	11.10%

This schedule should be read in conjunction with the accompanying Report of Independent Certified Public Accountants and the Consolidated Financial Statements and Notes thereto.

World Resources Institute and Subsidiaries

Schedule of Fringe Benefit Rate Calculation

Year ended September 30, 2016

Fringe Benefits	Regular and Term Staff	Temporary Staff	Total Benefits
PTO, Holiday and Other Benefits	$ 4,629,091	$ —	$ 4,629,091
FICA	1,726,839	$ 51,975	$ 1,778,814
Group health	1,904,382	—	1,904,382
Retirement	1,684,675	—	1,684,675
Unemployment	59,889	11,380	71,269
Workers' compensation	44,552	2,197	46,749
Other	682,325	—	682,325
Total allocable costs	$ 10,731,753	$ 65,552	$ 10,797,305

Regular and Term Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries	$ 19,603,875	1,036,010	1,507,740	1,015,119	2,193,608	$ 25,356,352
Less: excluded salaries expense*	(50,722)	—	(28,438)	—	(4,008)	(83,168)
Total allowable labor base	$ 19,553,153	$ 1,036,010	$ 1,479,302	$ 1,015,119	$ 2,189,600	$ 25,273,184

Calculation of fringe benefit for regular and term staff:
Total allocable costs/total allowable labor base
($10,731,753/$25,273,184) 42.46%

Temporary Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries and stipends	$ 953,986	$ —	$ 239	$ 5,380	$ 43,990	$ 1,003,595
Total allowable labor base	$ 953,986	$ —	$ 239	$ 5,380	$ 43,990	$ 1,003,595

Calculation of fringe benefit for temporary staff:
Total allocable costs/total allowable labor base
($65,552/$1,003,595) 6.53%

*Excluded salary expenses are fellowship stipends, intern programs and outside temporary help. Theses 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, 2016

	Programs	Fundraising	Total
Allowable total direct	$ 48,201,773	$ 1,874,081	$ 50,075,854
Total allocation base for general and administrative	$ 48,201,773	$ 1,874,081	$ 50,075,854

General and Administrative Expenses	
Salaries	$ 2,237,598
Benefits	930,253
Research Expenses	105,662
Conference Expenses	79,763
Publications Expenses	46,010
Travel	270,192
Occupancy	321,135
Professional Services	568,384
Memberships/Fees/Dues	43,035
Recruitment/Relocation	260,002
Staff Meals/Kitchen	35,923
Training & Career Development	21,727
Postage	3,257
Reproduction	—
Miscellaneous	348,426
Non-billable unallowable	358,528
Total general and administrative expenses	5,629,895
Less: non-billable unallowable	(358,528) *
Total allowable general and administrative expenses	$ 5,271,367
Calculation of general and administrative rate:	
Total general and administrative/total allocation base for general and administrative ($5,271,367/$50,075,854)	10.53%

*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, 2016

	Programs	Fundraising	Total
Total subgrant costs	$ 26,747,835	$ —	$ 26,747,835
Total allocation base for general and administrative	$ 26,747,835	$ —	$ 26,747,835

Subgrant Expenses	
Salaries	$ 1,020,499
Benefits	435,831
Other Costs	162,465
Total subgrant expenses	$ 1,618,795
Calculation of subgrant rate:	
Total subgrant costs/total allocation base for subgrant ($1,618,795/$26,747,835)	6.05%

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. Revenue is recorded using provisional approved rates. The difference between actual and provisional rates is not material to the financial statements as a whole.

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.