

WORLD RESOURCES INSTITUTE

**Report of independent Accountants on
Consolidated Financial Statements
for the years ended September 30, 2002 and 2001**

World Resources Institute and Subsidiary

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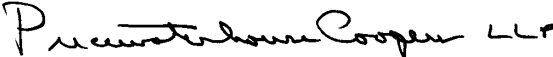
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Report of Independent Accountants

To the Board of Directors of
World Resources Institute

In our opinion, the accompanying consolidated statement of financial position as of September 30, 2002 and the related consolidated statements of activities and cash flows present fairly, in all material respects, the consolidated financial position of World Resources Institute and subsidiary (the "Institute") as of September 30, 2002, and the consolidated changes in net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Institute's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of the Institute as of September 30, 2001 and for the year then ended were audited by other independent accountants who have ceased operations. Those independent accountants expressed an unqualified opinion on those financial statements in their report dated November 30, 2001.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of the Institute taken as a whole. The accompanying supplemental schedules of functional expenses are also presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic consolidated financial statements taken as a whole.



December 3, 2002

World Resources Institute
Consolidated Statements of Financial Position
as of September 30, 2002 and 2001

| ASSETS | 2002 | 2001 |
|---|---------------------|----------------------|
| Cash and cash equivalents | \$ 2,683,228 | \$ 1,014,008 |
| Cash restricted - held for others | 1,269,840 | - |
| Total cash and cash equivalents | <u>3,953,068</u> | <u>1,014,008</u> |
| Grants, pledges and contracts receivable, net of allowance for doubtful accounts of \$132,375 and \$185,064 for 2002 and 2001, respectively | 16,305,557 | 8,918,028 |
| Investments | 32,216,371 | 37,395,423 |
| Other assets | 436,546 | 298,964 |
| Furniture, fixtures, and equipment - net | 973,807 | 1,161,672 |
| Total assets | <u>\$53,885,349</u> | <u>\$ 48,788,095</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES: | | |
| Accounts payable | \$ 532,741 | \$ 543,329 |
| Accrued salaries and benefits | 442,090 | 373,762 |
| Line of credit | 1,500,000 | 1,000,000 |
| Loan payable | 290,715 | 341,798 |
| Obligation under capital leases | 127,677 | 73,872 |
| Deferred rent | 91,423 | 115,363 |
| Deferred revenue | 187,943 | 45,474 |
| Funds held for others | 1,269,840 | - |
| Total liabilities | <u>4,442,429</u> | <u>2,493,598</u> |
| NET ASSETS: | | |
| Unrestricted: | | |
| Operating | 202,518 | 202,786 |
| Designated - working capital reserve | 1,925,718 | 1,813,898 |
| Designated - other | 3,323,048 | 8,775,393 |
| Total unrestricted | <u>5,451,284</u> | <u>10,792,077</u> |
| Temporarily restricted | 18,991,636 | 10,502,420 |
| Permanently restricted | 25,000,000 | 25,000,000 |
| Total net assets | <u>49,442,920</u> | <u>46,294,497</u> |
| Total liabilities and net assets | <u>\$53,885,349</u> | <u>\$ 48,788,095</u> |

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

World Resources Institute
Consolidated Statements of Activities
for the year ended September 30, 2002

| | Operating | Unrestricted Designated | Total | Temporarily Restricted | Permanently Restricted | Total |
|--|------------------|------------------------------------|--------------|-----------------------------------|-----------------------------------|---------------|
| REVENUES: | | | | | | |
| Grants and contributions | \$ 7,226,245 | \$ - | \$ 7,226,245 | \$ 14,500,434 | \$ - | \$ 21,726,679 |
| Federal grants and cooperative agreements | 3,410,834 | - | 3,410,834 | - | - | 3,410,834 |
| Investment loss, net | 23,851 | (2,160,835) | (2,136,984) | - | - | (2,136,984) |
| Support from endowment income | 3,179,690 | (3,179,690) | - | - | - | - |
| Publications | 112,717 | - | 112,717 | - | - | 112,717 |
| Other | 76,171 | - | 76,171 | - | - | 76,171 |
| Net assets released from program restrictions | 6,011,218 | - | 6,011,218 | (6,011,218) | - | - |
| Total revenues | 20,040,726 | (5,340,525) | 14,700,201 | 8,489,216 | - | 23,189,417 |
| EXPENSES: | | | | | | |
| Policy research, technical support, and communications programs | 16,597,759 | - | 16,597,759 | - | - | 16,597,759 |
| Administration | 1,673,288 | - | 1,673,288 | - | - | 1,673,288 |
| Development | 1,769,947 | - | 1,769,947 | - | - | 1,769,947 |
| Total expenses | 20,040,994 | - | 20,040,994 | - | - | 20,040,994 |
| CHANGES IN NET ASSETS | (268) | (5,340,525) | (5,340,793) | 8,489,216 | - | 3,148,423 |
| NET ASSETS, BEGINNING OF YEAR | 202,786 | 10,589,291 | 10,792,077 | 10,502,420 | 25,000,000 | 46,294,497 |
| NET ASSETS, END OF YEAR | \$ 202,518 | \$ 5,248,766 | \$ 5,451,284 | \$ 18,991,636 | \$ 25,000,000 | \$ 49,442,920 |

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

World Resources Institute
Consolidated Statements of Activities
for the year ended September 30, 2001

| | <u>Unrestricted</u> | | | <u>Temporarily</u> | <u>Permanently</u> | |
|--|---------------------|----------------------|---------------------|----------------------|----------------------|---------------------|
| | <u>Operating</u> | <u>Designated</u> | <u>Total</u> | <u>Restricted</u> | <u>Restricted</u> | <u>Total</u> |
| REVENUES: | | | | | | |
| Grants and contributions | \$7,055,249 | \$ - | \$ 7,055,249 | \$ 8,693,326 | \$ - | \$ 15,748,575 |
| Federal grants and cooperative agreements | 2,301,222 | - | 2,301,222 | - | - | 2,301,222 |
| Investment loss, net | (21,471) | (7,775,088) | (7,796,559) | - | - | (7,796,559) |
| Support from endowment income | 2,919,102 | (2,919,102) | - | - | - | - |
| Publications | 238,304 | - | 238,304 | - | - | 238,304 |
| Other | 19,195 | - | 19,195 | - | - | 19,195 |
| Net assets released from program restrictions | 7,443,590 | - | 7,443,590 | (7,443,590) | - | - |
| Total revenues | <u>19,955,191</u> | <u>(10,694,190)</u> | <u>9,261,001</u> | <u>1,249,736</u> | <u>-</u> | <u>10,510,737</u> |
| EXPENSES: | | | | | | |
| Policy research, technical support, and communications programs | 16,477,068 | - | 16,477,068 | - | - | 16,477,068 |
| Administration | 2,589,893 | - | 2,589,893 | - | - | 2,589,893 |
| Development | 888,225 | - | 888,225 | - | - | 888,225 |
| Total expenses | <u>19,955,186</u> | <u>-</u> | <u>19,955,186</u> | <u>-</u> | <u>-</u> | <u>19,955,186</u> |
| CHANGES IN NET ASSETS | 5 | (10,694,190) | (10,694,185) | 1,249,736 | - | (9,444,449) |
| NET ASSETS, BEGINNING OF YEAR | 202,781 | 21,283,481 | 21,486,262 | 9,252,684 | 25,000,000 | 55,738,946 |
| NET ASSETS, END OF YEAR | <u>\$ 202,786</u> | <u>\$ 10,589,291</u> | <u>\$10,792,077</u> | <u>\$ 10,502,420</u> | <u>\$ 25,000,000</u> | <u>\$46,294,497</u> |

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

World Resources Institute
Consolidated Statements of Cash Flows
for the year ended September 30, 2002 and 2001

| | 2002 | 2001 |
|---|---------------------|---------------------|
| Cash from operating activities: | | |
| Change in net assets | \$ 3,148,423 | \$ (9,444,449) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 367,719 | 424,561 |
| Bad debt expense | 132,375 | 185,064 |
| Net gain on early termination of capital leases | (17,757) | - |
| Realized loss/(gain) from sale of investments, net | 4,875,009 | 3,353,924 |
| Unrealized (gain)/loss on investments, net | (2,655,498) | 4,664,676 |
| Changes in assets and liabilities: | | |
| Grants and contracts receivable | (7,519,904) | (767,887) |
| Other assets | (137,582) | 62,382 |
| Accounts payable | (10,588) | (261,133) |
| Accrued salaries and benefits | 68,328 | 28,945 |
| Funds held for others | 1,269,840 | (119,979) |
| Deferred rent | (23,940) | (23,498) |
| Deferred revenue | 142,469 | (210,202) |
| Net cash used in operating activities | <u>(361,106)</u> | <u>(2,107,596)</u> |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 22,569,583 | 10,393,548 |
| Purchase of investments | (19,610,042) | (24,603,841) |
| Purchase of furniture, fixtures, and equipment | (49,427) | (277,739) |
| Net cash provided by (used in) investing activities | <u>2,910,114</u> | <u>(14,488,032)</u> |
| Cash flows from financing activities: | | |
| Proceeds from line of credit borrowings | 2,500,000 | 1,000,000 |
| Payments on capital lease obligations | (58,865) | (44,537) |
| Payments on loan payable | (51,083) | (105,920) |
| Payments on line of credit | (2,000,000) | - |
| Net cash provided by financing activities | <u>390,052</u> | <u>849,543</u> |
| Increase (decrease) in cash and cash equivalents | 2,939,060 | (15,746,085) |
| Cash and cash equivalents, beginning of year | 1,014,008 | 16,760,093 |
| Cash and cash equivalents, end of year | <u>\$ 3,953,068</u> | <u>\$ 1,014,008</u> |
| Supplementaal disclosure of cash flow information: | | |
| Cash paid for interest | <u>\$ 63,104</u> | <u>\$ 92,084</u> |
| Assets purchased under capital leases | <u>\$ 139,012</u> | <u>\$ -</u> |

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

World Resources Institute

Notes to Consolidated Financial Statements

1. Organization

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.

The Institute's work is carried out by approximately 140-member interdisciplinary staff, strong in the sciences and economics and augmented by a network of advisors, collaborators, international fellows, and cooperating institutes in more than 50 countries. The Institute currently focuses on four broad themes: (1) promoting new paths for development, (2) halting the degradation of biological resources, (3) preventing dangerous human-caused change in the earth's climate, and (4) fostering sustainable enterprises.

The Internal Revenue Service has classified the Institute as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as a publicly supported not-for-profit organization.

The World Resources Institute Fund (WRIF) is a not-for-profit organization created in 1986 as a supporting organization to the World Resources Institute and is included in these consolidated financial statements. Prior to fiscal year 2002, WRIF had no activities. Commencing in 2002, WRIF activities include the operation of a capital campaign. The Internal Revenue Service has classified WRIF as exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. WRIF is an entity described under sections 509 (a) (1) and 509(a)(3) of the Internal Revenue Code and therefore not a private foundation.

2. Summary of Significant Accounting Policies

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 asset categories:

Unrestricted Funds

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.

Designated – Other – Amounts designated by the Board of Directors to be used in a manner similar to an endowment.

World Resources Institute

Notes to Consolidated Financial Statements

Temporarily Restricted

Represents 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

Represents 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 the contributions that impose restrictions that are met in the same fiscal year they are received are included in unrestricted revenues.

Income from grants and contracts is recorded currently as unrestricted revenue when the costs are incurred. Amounts that have been 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.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Institute considers all highly liquid investment instruments purchased with an initial maturity of three months or less to be cash equivalents.

Investments

The Institute records its investments at fair market value based on quoted market prices.

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 five 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.

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.

World Resources Institute

Notes to Consolidated Financial Statements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash is held at one financial institution in excess of federally insured amounts. At September 30, 2002 and 2001, \$2,682,445 and \$1,118,034, respectively, was held at that institution. The Institute has not incurred any losses on these funds.

Reclassifications

Certain items in the fiscal year 2001 financial statements have been reclassified to conform with current year presentation.

3. Investments

As of September 30, 2002 and 2001, cash and cash equivalents and investments were as follows:

| | 2002 | 2001 |
|--------------------------------|----------------------|----------------------|
| Short-term investments | \$ 9,941,997 | \$ 1,571,499 |
| Limited liability partnerships | 10,925,238 | 12,322,066 |
| Equities | 11,349,136 | 23,501,857 |
| Total | <u>\$ 32,216,371</u> | <u>\$ 37,395,422</u> |

Investment income consists of the following for the years ended September 30, 2002 and 2001:

| | 2002 | 2001 |
|--------------------------------|-----------------------|-----------------------|
| Realized losses, net | \$ (4,875,009) | \$ (3,353,924) |
| Unrealized gains (losses), net | 2,655,498 | (4,664,676) |
| Dividends and interest | 345,888 | 506,657 |
| Investment management fees | (263,361) | (284,616) |
| Total | <u>\$ (2,136,984)</u> | <u>\$ (7,796,559)</u> |

World Resources Institute
Notes to Consolidated Financial Statements

4. 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, 2002 and 2001 were as follows:

| | <u>2002</u> | <u>2001</u> |
|--------------------------------------|-------------|-------------|
| U.S. Government | 3% | 4% |
| Foundations | 22% | 53% |
| Foreign governments | 11% | 6% |
| International organizations | 41% | 33% |
| Corporations, individuals and others | 23% | 4% |
| | <u>100%</u> | <u>100%</u> |

As of September 30, 2002 and 2001, the Institute's receivables were due as follows:

| | <u>2002</u> | <u>2001</u> |
|---|----------------------|---------------------|
| Less than one year | \$ 11,404,292 | \$ 7,473,092 |
| One to three years | 5,377,383 | 1,630,000 |
| Allowance for doubtful accounts | (132,375) | (185,064) |
| Unamortized discount on receivables | (343,743) | - |
| Grants, pledges and contracts receivable, net | <u>\$ 16,305,557</u> | <u>\$ 8,918,028</u> |

5. Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment consist of the following at September 30, 2002 and 2001:

| | <u>2002</u> | <u>2001</u> |
|--|-------------------|---------------------|
| Furniture and equipment | \$ 1,604,808 | \$ 2,112,789 |
| Leasehold improvements | 802,013 | 795,272 |
| Equipment under capital lease agreements | 139,012 | 217,696 |
| Art work | 8,825 | 8,825 |
| | <u>2,554,658</u> | <u>3,134,582</u> |
| Less accumulated depreciation and amortization | (1,580,851) | (1,972,910) |
| Furniture, fixtures, and equipment, net | <u>\$ 973,807</u> | <u>\$ 1,161,672</u> |

World Resources Institute
Notes to Consolidated Financial Statements

6. Obligations Under Capital Leases

The Institute is obligated under capital lease agreements for certain copy 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, 2002 and 2001, were as follows:

| | 2002 | 2001 |
|------------------------------------|-------------------|------------------|
| Equipment under capital lease | \$ 139,012 | \$ 217,696 |
| Less accumulated amortization | (13,901) | (184,274) |
| Equipment under capital lease, net | <u>\$ 125,111</u> | <u>\$ 33,422</u> |

The future minimum lease payments under the capital lease agreements and the present value of the minimum lease payments as of September 30, 2002, are as follows:

| | |
|---|-------------------|
| 2003 | \$ 33,600 |
| 2004 | 33,600 |
| 2005 | 33,600 |
| 2006 | 33,600 |
| 2007 | <u>16,800</u> |
| Total future minimum lease payments | 151,200 |
| Less amount representing interest | <u>(23,523)</u> |
| Present value of minimum lease payments | <u>\$ 127,677</u> |

Interest expense related to the capital leases was \$46,529 and \$56,621, respectively, for the years ended September 30, 2002 and 2001.

7. Office Lease Commitments and Rent Abatement

The Institute has entered into various operating lease agreements. During 1999, the Institute relocated to a new office building, under a lease which expires in February 2009. As part of the office building lease, the Institute received one month of free rent. This rent abatement is being amortized on a straight-line basis over the life of the lease as a reduction of rent expense. The future minimum lease payments as of September 30, 2002, are as follows:

| | |
|------------|---------------------|
| 2003 | \$ 1,376,143 |
| 2004 | 1,431,543 |
| 2005 | 1,411,482 |
| 2006 | 1,439,742 |
| 2007 | 1,468,509 |
| Thereafter | <u>2,000,507</u> |
| Total | <u>\$ 9,127,926</u> |

World Resources Institute

Notes to Consolidated Financial Statements

Rental expense for these leases was \$1,316,934 and \$1,271,257 for the years ended September 30, 2002 and 2001, respectively.

8. Loans Payable

During fiscal year 1999, the Institute obtained a \$500,000 loan at Bank of America, NA, with a maturity date of March 31, 2004. The balance outstanding on this loan at September 30, 2002, was \$290,715. The interest rate on the loan is 6.55%. Interest expense for the years ending September 30, 2002 and 2001, was \$21,023 and \$35,463 respectively. The loan agreement contains a covenant which requires the Institute to maintain a minimum balance of \$720,000 in a collateral bank account. The remaining principal payments as of September 30, 2002, are as follows:

| | | |
|-------|----|----------------|
| 2003 | \$ | 227,144 |
| 2004 | | 63,571 |
| Total | \$ | <u>290,715</u> |

To manage short-term cash flow effectively, the Institute maintains a line of credit. During fiscal year 2001, the Institute obtained a \$3,000,000 line of credit at Bank of America, NA with a maturity date of April 30, 2003. The balance outstanding on this line of credit at September 30, 2002 and 2001 was \$1,500,000 and \$1,000,000, respectively. The interest rate on the line of credit is based on LIBOR plus 1.5% (3.3137% and 4.16% at September 30, 2002 and 2001, respectively). The loan agreement contains a covenant which requires the Institute to maintain unrestricted, unencumbered liquid assets (marketable securities, cash and cash equivalents) of not less than \$3,000,000.

9. Funds Held for Others

The Ford Foundation gave a grant (for endowment) of \$1,200,000 to the African Centre for Technology Studies (“ACTS”) (an unrelated organization) in Nairobi, Kenya. ACTS requested the Institute to hold the funds in an interest bearing account until further notice, earning interest of \$69,840 as of September 30, 2002.

10. Permanently Restricted Net Assets

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

World Resources Institute

Notes to Consolidated Financial Statements

endowment (net of investment expenses) are recognized as unrestricted designated revenue. During 2002 and 2001, \$2,378,042 and \$2,919,102, respectively, of these earnings were transferred from unrestricted designated to unrestricted operating net assets in accordance with the policy statement referred to above. The Board of Directors also authorized management to draw down an additional \$2,000,000 to cover capital campaign expenses during the period January 1, 2002 to December 31, 2005. As of September 30, 2002, \$801,648 was drawn down for this purpose.

11. Temporarily Restricted Net Assets

As of September 30, 2002 and 2001, temporarily restricted net assets are restricted for the following programs:

| | 2002 | 2001 |
|-------------------------------|----------------------|----------------------|
| Climate, Energy and Pollution | \$ 3,357,543 | \$ 368,070 |
| Biological Resources | 677,587 | 725,848 |
| Economics Program | 359,940 | 483,857 |
| World Resources Report | 50,322 | 381,866 |
| Institutions and Governance | 1,034,095 | 1,401,306 |
| Sustainable Enterprise | 2,019,615 | 1,436,439 |
| Information | 6,978,376 | 3,788,597 |
| Special Studies | 3,395,788 | 317,808 |
| Forest | 1,118,370 | 1,598,629 |
| Total | <u>\$ 18,991,636</u> | <u>\$ 10,502,420</u> |

Net assets released from restrictions by incurring expenses satisfying their restricted purposes during the years ended September 30, 2002 and 2001, are as follows:

| | 2002 | 2001 |
|-------------------------------|---------------------|---------------------|
| Climate, Energy and Pollution | \$ 341,419 | \$ 871,514 |
| Biological Resources | 528,917 | 1,393,104 |
| Economics Program | 479,751 | 334,725 |
| World Resources Report | 381,786 | 327,229 |
| Institutions and Governance | 1,040,539 | 781,021 |
| Sustainable Enterprise | 945,551 | 986,481 |
| Information | 1,032,172 | 718,225 |
| Special Studies | 311,673 | 1,512,106 |
| Forest | 949,410 | 518,791 |
| Communications | - | 394 |
| Total | <u>\$ 6,011,218</u> | <u>\$ 7,443,590</u> |

World Resources Institute

Notes to Consolidated Financial Statements

12. Significant Contract

The Institute initiates and completes a substantial portion of its projects within the Institutions and Governance and Information Programs pursuant to a single cooperative agreement from the U.S. Agency for International Development. The revenue pursuant to this cooperative agreement was \$2,559,521 for the year ended September 30, 2002 and \$1,629,340 for the year ended September 30, 2001. Such revenue accounted for approximately 10% of total federal and nonfederal grants, contributions, and cooperative agreement revenues during the year ended September 30, 2002, and approximately 16% for the year ended September 30, 2001.

13. Employee Benefits

The Institute contributes either 5% or 8 % (based on years of service) of eligible employees' annual earnings, as defined in plan agreements, to individually owned tax-deferred annuity contracts under a defined contribution annuity plan. The amount contributed to the plan for the years ended September 30, 2002 and 2001, was \$528,527 and \$528,809, respectively.

14. Related-party transaction

The Institute provides bookkeeping services for a Foundation from which the Institute receives grant awards for research studies. During fiscal 2002 and 2001, the Institute recorded grant revenue of \$281,473 and \$360,983, respectively, from the Foundation. In addition, the Institute received \$15,925 and \$28,401, respectively, from the Foundation for bookkeeping services.

Supplemental Schedules

**World Resources Institute
Schedule of Functional Expenses
for the year ended September 30, 2002**

| | Climate, Energy and Pollution | Biological Resources | Economics Program | World Resources Report | Institutions and Governance | Sustainable Enterprise | Information | Special Studies | Forest | Communications | Total Program Expenses | Administration | Development | Total Expenses |
|---|--|-------------------------|----------------------|------------------------------|-----------------------------------|---------------------------|--------------|--------------------|--------------|----------------|------------------------------|----------------|--------------|-------------------|
| Salaries and stipends | \$ 500,342 | \$ 295,778 | \$ 380,902 | \$ 348,524 | \$ 846,248 | \$ 899,833 | \$ 569,528 | \$ 911,098 | \$ 705,011 | \$ 379,803 | \$ 5,837,067 | \$ 874,486 | \$ 714,267 | \$ 7,425,820 |
| Benefits | 145,162 | 90,148 | 111,664 | 105,170 | 250,473 | 255,551 | 170,047 | 273,165 | 213,404 | 115,661 | 1,730,445 | 256,913 | 212,763 | 2,200,121 |
| Research and conferences | 92,698 | 78,684 | 49,349 | 12,415 | 359,300 | 205,870 | 147,262 | 102,527 | 123,324 | 24,225 | 1,195,654 | 67,203 | 352,847 | 1,615,704 |
| Communication expenses | 9,721 | 66 | 18,901 | 800 | 6,691 | 6,297 | 41,488 | 3,273 | 4,962 | 49,178 | 141,377 | 185 | 18,950 | 160,512 |
| Institutional coop agreements/subgrants | 68,500 | 105,845 | 36,152 | - | 1,151,816 | 154,391 | 1,778,816 | 95,716 | 259,473 | - | 3,650,709 | - | - | 3,650,709 |
| Publications expenses | 17,373 | 29,543 | 32,664 | 60,306 | 190,516 | 100,857 | 117,756 | 25,707 | 82,515 | 62,510 | 719,747 | 2,985 | 54,013 | 776,745 |
| Staff and board travel | 63,554 | 72,557 | 15,768 | 16,501 | 147,139 | 55,359 | 69,196 | 66,344 | 131,685 | 6,702 | 644,805 | 78,026 | 45,804 | 768,635 |
| Other direct expenses | 16,494 | 13,421 | 28,335 | 4,865 | 53,257 | 52,585 | 33,216 | 21,433 | 46,752 | 14,986 | 285,344 | 393,490 | 73,022 | 751,856 |
| Rent | 98,194 | 67,395 | 74,061 | 63,722 | 215,314 | 183,107 | 133,407 | 163,034 | 151,895 | 75,859 | 1,225,988 | - | 165,149 | 1,391,137 |
| Library and information services | 8,588 | 5,894 | 6,477 | 5,573 | 18,831 | 16,014 | 11,668 | 14,259 | 13,285 | 6,635 | 107,224 | - | 14,444 | 121,668 |
| Indirect salaries & benefits | 34,244 | 23,503 | 25,828 | 22,222 | 75,088 | 63,856 | 46,524 | 56,856 | 52,971 | 26,455 | 427,547 | - | 57,594 | 485,141 |
| Supplies and materials | 6,799 | 4,667 | 5,128 | 4,412 | 14,909 | 12,679 | 9,237 | 11,289 | 10,518 | 5,253 | 84,891 | - | 11,435 | 96,326 |
| Postage | 757 | 520 | 571 | 491 | 1,660 | 1,412 | 1,028 | 1,257 | 1,171 | 585 | 9,452 | - | 1,273 | 10,725 |
| Telephone and cables | 4,498 | 3,087 | 3,392 | 2,919 | 9,863 | 8,387 | 6,111 | 7,468 | 6,958 | 3,475 | 56,158 | - | 7,564 | 63,722 |
| Equipment rental and maintenance | 10,186 | 6,991 | 7,682 | 6,610 | 22,335 | 18,994 | 13,838 | 16,912 | 15,756 | 7,869 | 127,173 | - | 17,131 | 144,304 |
| Other | 539 | 370 | 406 | 350 | 1,182 | 1,005 | 732 | 895 | 834 | 416 | 6,729 | - | 3,421 | 10,150 |
| Depreciation | 23,041 | 17,072 | 17,047 | 14,002 | 71,939 | 43,536 | 67,347 | 37,871 | 38,925 | 16,669 | 347,449 | - | 20,270 | 367,719 |
| Total expenses | 1,100,690 | 815,541 | 814,327 | 668,882 | 3,436,561 | 2,079,733 | 3,217,201 | 1,809,104 | 1,859,439 | 796,281 | 16,597,759 | 1,673,288 | 1,769,947 | 20,040,994 |
| Allocation of administration costs | 104,848 | 77,686 | 77,570 | 63,716 | 327,356 | 198,109 | 306,461 | 172,330 | 177,124 | 75,851 | 1,581,051 | (1,673,288) | 92,237 | - |
| Total expenses after allocations | \$ 1,205,538 | \$ 893,227 | \$ 891,897 | \$ 732,598 | \$ 3,763,917 | \$ 2,277,842 | \$ 3,523,662 | \$ 1,981,434 | \$ 2,036,563 | \$ 872,132 | \$ 18,178,810 | \$ - | \$ 1,862,184 | \$ 20,040,994 |

**World Resources Institute
Schedule of Functional Expenses
for the year ended September 30, 2001**

| | Climate, Energy and Pollution | Biological Resources | Economics Program | World Resources Report | Institutions and Governance | Management Institute for Environment and Business | Information | Special Studies | Forest | Communications | Total Program Expenses | Administration | Development | Total Expenses |
|---|--|-------------------------|----------------------|------------------------------|-----------------------------------|---|--------------|--------------------|--------------|----------------|------------------------------|----------------|--------------|-------------------|
| Salaries and stipends | \$ 507,739 | \$ 852,011 | \$ 401,823 | \$ 318,552 | \$ 819,518 | \$ 735,602 | \$ 673,800 | \$ 832,338 | \$ 675,524 | \$ 402,523 | \$ 6,219,430 | \$ 1,332,134 | \$ 481,346 | \$ 8,032,910 |
| Benefits | 134,187 | 232,828 | 106,394 | 87,363 | 214,912 | 194,610 | 181,635 | 218,556 | 161,498 | 109,747 | 1,641,730 | 354,324 | 130,381 | 2,126,435 |
| Research and conferences | 14,706 | 63,304 | 97,379 | 35,740 | 330,084 | 406,722 | 362,420 | 468,678 | 150,354 | 111,613 | 2,041,000 | 84,428 | 42,847 | 2,168,275 |
| Communication expenses | 4,662 | 47 | 2,011 | 26,761 | 324 | 5,841 | 19,807 | 9,958 | 280 | (5,300) | 64,391 | 2,398 | 485 | 67,274 |
| Institutional coop agreements/subgrants | 112,578 | 140,246 | 5,436 | - | 757,704 | 24,500 | 652,874 | 125,305 | 339,184 | - | 2,157,827 | - | - | 2,157,827 |
| Publications expenses | 35,671 | 17,074 | 53,406 | 315,597 | 44,986 | 95,944 | 288,777 | 227,807 | 21,668 | 58,781 | 1,159,711 | 88,754 | 21,110 | 1,269,575 |
| Staff and board travel | 50,745 | 148,256 | 35,756 | 72,377 | 138,803 | 53,381 | 28,129 | 60,113 | 72,764 | 13,926 | 674,250 | 55,190 | 62,683 | 792,123 |
| Other direct expenses | 11,784 | 26,379 | 19,009 | 16,384 | 67,207 | 47,210 | 98,162 | 18,073 | 46,729 | 94,326 | 445,263 | 304,920 | 23,251 | 773,434 |
| Rent | 63,395 | 111,842 | 59,746 | 72,851 | 134,874 | 128,487 | 137,954 | 153,212 | 94,223 | 65,576 | 1,022,160 | 185,484 | 63,613 | 1,271,257 |
| Library and information services | 5,334 | 9,411 | 5,027 | 6,130 | 11,349 | 10,811 | 11,608 | 12,892 | 7,928 | 5,518 | 86,008 | 15,607 | 5,353 | 106,968 |
| Reproduction | 45 | 79 | 42 | 52 | 95 | 91 | 98 | 108 | 67 | 46 | 723 | 131 | 45 | 899 |
| Supplies and materials | 6,328 | 11,163 | 5,963 | 7,271 | 13,462 | 12,825 | 13,770 | 15,293 | 9,405 | 6,545 | 102,025 | 18,514 | 6,349 | 126,888 |
| Postage | 419 | 739 | 395 | 482 | 892 | 850 | 912 | 1,013 | 623 | 434 | 6,759 | 1,226 | 421 | 8,406 |
| Telephone and cables | 6,749 | 11,906 | 6,360 | 7,755 | 14,358 | 13,678 | 14,685 | 16,310 | 10,030 | 6,981 | 108,812 | 19,745 | 6,772 | 135,329 |
| Equipment rental and maintenance | 11,153 | 19,676 | 10,511 | 12,816 | 23,728 | 22,604 | 24,270 | 26,954 | 16,576 | 11,537 | 179,825 | 32,632 | 11,191 | 223,648 |
| Other | 13,433 | 23,699 | 12,660 | 15,437 | 28,580 | 27,226 | 29,232 | 32,465 | 19,966 | 13,895 | 216,593 | 39,304 | 13,480 | 269,377 |
| Depreciation | 21,280 | 36,274 | 17,867 | 21,642 | 56,538 | 38,702 | 55,174 | 48,239 | 35,364 | 19,481 | 350,561 | 55,102 | 18,898 | 424,561 |
| Total expenses | 1,000,208 | 1,704,934 | 839,785 | 1,017,210 | 2,657,414 | 1,819,084 | 2,593,307 | 2,267,314 | 1,662,183 | 915,629 | 16,477,068 | 2,589,893 | 888,225 | 19,955,186 |
| Allocation of administration costs | 149,173 | 254,277 | 125,247 | 151,709 | 396,332 | 271,302 | 386,771 | 338,152 | 247,901 | 136,559 | 2,457,423 | (2,589,893) | 132,470 | - |
| Total expenses after allocations | \$ 1,149,381 | \$ 1,959,211 | \$ 965,032 | \$ 1,168,919 | \$ 3,053,746 | \$ 2,090,386 | \$ 2,980,078 | \$ 2,605,466 | \$ 1,910,084 | \$ 1,052,188 | \$ 18,934,491 | \$ - | \$ 1,020,695 | \$ 19,955,186 |