

Consolidated Financial Statements and Report of Independent  
Certified Public Accountants and Reports in Compliance with  
OMB Circular A-133

**World Resources Institute and Subsidiary**

September 30, 2004 and 2003

# World Resources Institute and Subsidiary

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## Report of Independent Certified Public Accountants



Accountants and Business Advisors

Board of Directors  
World Resources Institute and Subsidiary

We have audited the accompanying consolidated statements of financial position of the World Resources Institute and Subsidiary (the Institute) as of September 30, 2004 and 2003, and the related consolidated statements of activities, the consolidated changes in net assets and consolidated cash flows for the years then ended. These consolidated financial statements are the responsibility of the Institute's management. 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Institute as of September 30, 2004 and 2003, and the consolidated changes in its net assets and consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 19, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the 2004 consolidated financial statements of the Institute taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. The accompanying supplemental schedules on pages 25-31 are also presented for purposes of additional analysis and are not a required part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2004 consolidated financial statements taken as a whole.

Vienna, Virginia  
November 19, 2004

Suite 300  
2070 Chain Bridge Road  
Vienna, VA 22182-2536  
T 703.847.7500  
F 703.848.9580  
W [www.grantthornton.com](http://www.grantthornton.com)

Grant Thornton LLP  
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# World Resources Institute and Subsidiary

## Consolidated Statements of Financial Position

<i>September 30,</i>	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,743,424	\$ 1,020,829
Cash restricted—held for others	1,281,835	1,277,111
<b>Total cash and cash equivalents</b>	<b>3,025,259</b>	<b>2,297,940</b>
Grants, pledges and contracts receivable, net of allowance for doubtful accounts of \$111,695 and \$142,405 for 2004 and 2003, respectively (Note C)	7,239,924	13,114,302
Investments (Note B)	36,661,135	36,874,700
Other assets	225,046	259,105
Furniture, fixtures, and equipment, net (Note D)	664,658	747,392
<b>Total Assets</b>	<b>\$ 47,816,022</b>	<b>\$ 53,293,439</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 858,867	\$ 549,853
Accrued salaries and benefits	413,773	464,688
Line-of-credit (Note G)	—	2,000,000
Loan payable (Note G)	—	240,221
Obligation under capital leases (Note E)	100,843	130,371
Deferred rent	43,932	67,899
Deferred revenue	234,380	42,206
Funds held for others	1,281,835	1,277,111
<b>Total Liabilities</b>	<b>2,933,630</b>	<b>4,772,349</b>
<b>Net Assets</b>		
Unrestricted:		
Operating	202,518	202,518
Designated—working capital reserve	2,108,790	1,988,478
Designated—other	7,497,325	6,402,009
	<b>9,808,633</b>	<b>8,593,005</b>
Temporarily restricted	9,973,759	14,828,085
Permanently restricted	25,100,000	25,100,000
<b>Total Net Assets</b>	<b>44,882,392</b>	<b>48,521,090</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 47,816,022</b>	<b>\$ 53,293,439</b>

*The accompanying notes are an integral part of these statements.*

# World Resources Institute and Subsidiary

## Consolidated Statements of Activities

Year ended September 30, 2004

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated			
<b>Revenues</b>					
Grants and contributions	\$ 4,839,866	\$ —	\$ 4,877,047	\$ —	\$ 9,716,913
Federal grants and cooperative agreements	3,622,641	—	—	—	3,622,641
Investment return, net (Note B)	7,693	3,887,036	—	—	3,894,729
Support from endowment income	2,671,408	(2,671,408)	—	—	—
Publications	81,515	—	—	—	81,515
Other	9,982	—	—	—	9,982
Net assets released from program restrictions	9,731,373	—	(9,731,373)	—	—
<b>Total Revenue</b>	20,964,478	1,215,628	(4,854,326)	—	17,325,780
<b>Expenses</b>					
Policy research, technical support, and communications programs	17,162,228	—	—	—	17,162,228
Administration	2,049,506	—	—	—	2,049,506
Development	1,752,744	—	—	—	1,752,744
<b>Total Expenses</b>	20,964,478	—	—	—	20,964,478
<b>Change in Net Assets</b>	—	1,215,628	(4,854,326)	—	(3,638,698)
Net Assets, beginning of year	202,518	8,390,487	14,828,085	25,100,000	48,521,090
<b>Net Assets, end of year</b>	\$ 202,518	\$ 9,606,115	\$ 9,973,759	\$ 25,100,000	\$ 44,882,392

The accompanying notes are an integral part of these statements.

# World Resources Institute and Subsidiary

Consolidated Statements of Activities—Continued

Year ended September 30, 2003

	Operating		Unrestricted		Temporarily		Permanently		Total
			Designated	Total	Restricted	Restricted	Restricted	Restricted	
<b>Revenues</b>									
Grants and contributions	\$ 4,304,653	\$ —	\$ —	\$ 4,304,653	\$ 4,957,714	\$ 100,000	\$ 9,362,367		
Federal grants and cooperative agreements	2,743,558	—	—	2,743,558	—	—	2,743,558		
Investment return, net (Note B)	12,917	6,522,914	—	6,535,831	—	—	6,535,831		
Support from endowment income	3,381,193	(3,381,193)	—	—	—	—	—		
Publications	93,160	—	—	93,160	—	—	93,160		
Other	34,696	—	—	34,696	—	—	34,696		
Net assets released from program restrictions	9,121,265	—	—	9,121,265	(9,121,265)	—	—		
<b>Total Revenue</b>	19,691,442	3,141,721	—	22,833,163	(4,163,551)	100,000	18,769,612		
<b>Expenses</b>									
Policy research, technical support, and communications programs	16,078,713	—	—	16,078,713	—	—	16,078,713		
Administration	1,704,548	—	—	1,704,548	—	—	1,704,548		
Development	1,908,181	—	—	1,908,181	—	—	1,908,181		
<b>Total Expenses</b>	19,691,442	—	—	19,691,442	—	—	19,691,442		
<b>Change in Net Assets</b>	—	3,141,721	—	3,141,721	(4,163,551)	100,000	(921,830)		
<b>Net Assets, beginning of year</b>	202,518	5,248,766	—	5,451,284	18,991,636	25,000,000	49,442,920		
<b>Net Assets, end of year</b>	\$ 202,518	\$ 8,390,487	\$ —	\$ 8,593,005	\$ 14,828,085	\$ 25,100,000	\$ 48,521,090		

The accompanying notes are an integral part of these statements.

World Resources Institute and Subsidiary

Consolidated Statements of Cash Flows

<i>Year ended September 30,</i>	2004	2003
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (3,638,698)	\$ (921,830)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	268,131	331,386
Bad debt expense	(30,710)	10,030
Realized (gain) loss from sale of investments	(2,695,880)	331,621
Unrealized gain on investments	(1,146,611)	(6,753,880)
Changes in operating assets and liabilities:		
Grants and contracts receivable	5,905,088	3,181,225
Other assets	34,059	177,441
Accounts payable	309,014	17,112
Accrued salaries and benefits	(50,915)	22,598
Funds held for others	4,724	7,271
Deferred rent	(23,967)	(23,524)
Deferred revenue	192,174	(145,737)
<b>Net Cash Used in Operating Activities</b>	<b>(873,591)</b>	<b>(3,766,287)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	25,058,995	14,534,655
Purchase of investments	(21,002,939)	(12,770,725)
Purchase of furniture, fixtures, and equipment	(185,397)	(73,307)
<b>Net Cash Provided by Investing Activities</b>	<b>3,870,659</b>	<b>1,690,623</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from line-of-credit borrowings	—	2,000,000
Payments on capital lease obligations	(29,528)	(28,970)
Payments on loan payable	(240,221)	(50,494)
Payments on line-of-credit	(2,000,000)	(1,500,000)
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(2,269,749)</b>	<b>420,536</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>727,319</b>	<b>(1,655,128)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>2,297,940</b>	<b>3,953,068</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 3,025,259</b>	<b>\$ 2,297,940</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 7,785	\$ 9,907
Assets purchased under capital leases	\$ —	\$ 31,664

*The accompanying notes are an integral part of these statements.*

# World Resources Institute and Subsidiary

## Notes to Consolidated Financial Statements

September 30, 2004 and 2003

### 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.

The Institute's work is carried out by an 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 (IRS) has classified the Institute as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), 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 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.

#### *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 and Subsidiary

Notes to Consolidated Financial Statements—Continued

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*September 30, 2004 and 2003*

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## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

### *Classification of Net Assets—Continued*

*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 is 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.

### *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.

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 September 30, 2004 and 2003
 

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**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued*****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 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, 2004 and 2003, \$1,743,424 and \$1,020,820, respectively, was held at that institution. The Institute has not incurred any losses on these funds.

**NOTE B—INVESTMENTS**

As of September 30, 2004 and 2003, investments were as follows:

	2004	2003
Short-term investments	\$ 1,196,818	\$ 1,284,694
Limited liability partnerships	14,804,108	13,828,937
Equities	20,660,209	21,761,069
Total	\$ 36,661,135	\$ 36,874,700

Investment return consists of the following for the years ended September 30, 2004 and 2003:

	2004	2003
Realized gain (losses)	\$ 2,695,880	\$ (331,621)
Unrealized gains	1,146,611	6,753,880
Dividends and interest	321,774	320,930
Investment management fees and foreign taxes	(269,536)	(207,358)
Total	\$ 3,894,729	\$ 6,535,831

## World Resources Institute and Subsidiary

### Notes to Consolidated Financial Statements—Continued

September 30, 2004 and 2003

#### NOTE C—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, 2004 and 2003, was as follows:

	2004	2003
U.S. government	11%	4%
Foundations	18%	25%
Foreign governments	7%	23%
International organizations	10%	25%
Corporations, individuals and others	54%	23%
	100%	100%

As of September 30, 2004 and 2003, the Institute's receivables were due as follows:

	2004	2003
Less than one year	\$ 5,861,916	\$ 8,839,779
One to three years	1,553,894	4,543,088
Allowance for doubtful accounts	(111,695)	(142,505)
Unamortized discount on receivables	(64,191)	(126,060)
Grants, pledges and contracts receivable, net	\$ 7,239,924	\$ 13,114,302

#### NOTE D—FURNITURE, FIXTURES, AND EQUIPMENT

Furniture, fixtures, and equipment consist of the following at September 30, 2004 and 2003:

	2004	2003
Furniture and equipment	\$ 1,620,486	\$ 1,532,422
Leasehold improvements	802,012	802,012
Equipment under capital lease agreements	170,676	170,676
Artwork	8,825	8,825
	2,601,999	2,513,935
Less: accumulated depreciation and amortization	(1,937,341)	(1,766,543)
Furniture, fixtures, and equipment, net	\$ 664,658	\$ 747,392

## World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

*September 30, 2004 and 2003*

### NOTE E—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, 2004 and 2003, were as follows:

	2004	2003
Equipment under capital lease	\$ 170,676	\$ 170,676
Less: accumulated amortization	(79,505)	(45,037)
Equipment under capital lease, net	\$ 91,171	\$ 125,639

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

<i>September 30,</i>	
2005	\$ 40,791
2006	40,791
2007	23,992
2008	5,394
Total future minimum lease payments	110,968
Less: amount representing interest	(10,125)
Present value of minimum lease payments	\$ 100,843

Interest expense related to the capital leases was \$7,785 and \$9,907, respectively, for the years ended September 30, 2004 and 2003.

### NOTE F—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.

## World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

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*September 30, 2004 and 2003*

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### NOTE F—OFFICE LEASE COMMITMENTS AND RENT ABATEMENT—Continued

The future minimum lease payments are as follows as of September 30, 2004:

<i>September 30,</i>	
2005	\$ 1,411,482
2006	1,439,742
2007	1,468,509
2008	1,497,909
2009	502,598
Total	<u>\$ 6,320,240</u>

Rental expense for these leases was \$1,489,065 and \$1,390,198 for the years ended September 30, 2004 and 2003, respectively.

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### NOTE G—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, 2004 and 2003 was \$-0- and \$240,221, respectively. The interest rate on the loan was 6.55 percent. Interest expense for the years ending September 30, 2004 and 2003, was \$8,051 and \$17,787, respectively. The loan agreement contained a covenant required the Institute to maintain a minimum balance of \$720,000 in a collateral bank account. The loan was fully paid off in 2004.

To manage short-term cash flow effectively, the Institute maintained 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, 2004. The balance outstanding on this line-of-credit at September 30, 2004 and 2003 was \$-0- and \$2,000,000, respectively. The interest rate on the line-of-credit was based on London Interbank Offered Rate (LIBOR) plus 1.5 percent (2.6200 percent and 3.3137 percent at September 30, 2004 and 2003, respectively). The loan agreement contained a covenant which required the Institute to maintain unrestricted, unencumbered liquid assets (marketable securities, cash and cash equivalents) of not less than \$3,000,000. The loan was fully paid off in 2004.

## World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

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*September 30, 2004 and 2003*

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### NOTE H—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 \$80,835 as of September 30, 2004.

In addition, \$1,000 is being held for Millennium Ecosystem Assessment as of September 30, 2004

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### NOTE I—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 endowment (net of investment expenses) are recognized as unrestricted designated revenue. During 2004 and 2003, \$1,599,190 and \$2,397,064, 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 amount to cover capital campaign expenses during the period January 1, 2002 to December 31, 2005. As of September 30, 2004, \$2,802,891 was drawn down for this purpose.

In 2003, an individual contributed \$100,000 for the purpose of creating an endowment to enable the Institute to have interns. Investment earnings from the endowment are recognized as unrestricted designated revenue.

# World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

*September 30, 2004 and 2003*

## NOTE J—TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2004 and 2003, temporarily restricted net assets are restricted for the following programs:

	2004	2003
Climate, energy and pollution	\$ 2,011,812	\$ 2,437,951
Biological resources	802,780	1,372,520
Institutions and governance	694,555	905,994
Sustainable enterprise	1,884,956	1,767,910
Information	2,179,491	4,191,732
Special studies	2,400,165	4,151,978
Total	\$ 9,973,759	\$ 14,828,085

Net assets released from restrictions by incurring expenses satisfying their restricted purposes during the years ended September 30, 2004 and 2003, are as follows:

	2004	2003
Climate, energy and pollution	\$ 863,931	\$ 1,305,202
Biological resources	748,210	484,812
Economics program	—	296,213
World Resources report	—	50,321
Institutions and governance	845,171	767,275
Sustainable enterprise	1,353,781	1,159,326
Information	3,349,405	2,998,594
Special studies	2,570,875	1,407,922
Forest	—	651,600
Total	\$ 9,731,373	\$ 9,121,265

## World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

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*September 30, 2004 and 2003*

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### NOTE K—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 \$2,603,375 and \$1,987,174 for the years ended September 30, 2004 and 2003, respectively. Such revenue accounted for approximately 19.5 percent and 17 percent of total federal and non-federal grants, contributions, and cooperative agreement revenues during the years ended September 30, 2004 and 2003.

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### NOTE L—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, 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, 2004 and 2003, was \$521,550 and \$550,588, respectively.

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### NOTE M—RELATED-PARTY TRANSACTION

The Institute provided bookkeeping services for a foundation from which the Institute received grant awards for research studies in 2003 for \$378,362. The foundation did not have any activities in 2004. In addition, the Institute received \$8,382 in 2003 from the foundation for bookkeeping services.



## Supplemental Information



World Resources Institute and Subsidiary

Schedule of Expenditures of Federal Awards

Year ended September 30, 2004

Federal Grantor Program Title	Federal Contract Number	Federal CFDA Number	2004 Expenses
<b>U.S. Agency for International Development</b>			
Forest Policy and Environmental Governance*	AOI-A-00-00-00241-00	02	\$ 1,260,164
Environmental Accountability in Tanzania*	623-A-00-01-0054-00	02	55,705
Governing Ecosystems*	EEE-A-00-02-00056-00	02	814,308
Improved Governance and Sustainable Use of Forest Resources*	623-A-00-03-00075-00	02	448,503
Pass-through from Institute for Sustainable Communities*	121-A-00-00-00830-00	02	2,981
Pass-through from United Nations Environment Programme*	QGA-2312-5068-2612	02	21,714
<b>Total for U.S. Agency for International Development</b>			<b>2,603,375</b>
<b>U.S. Environmental Protection Agency</b>			
Carbon Sequestration	CX 82914501-0	66.606	66,948
Material Flows: Stat. Analysis and Indicators Res.	R-82904601-0	66.606	20,000
Combating Global Climate Change: Flexibility with Integrity	X-82924001-0	66.606	74,802
Nutrient Net: Taking Trading On-line for the Chesapeake Bay	CB-98367001-0	66.466	76,535
Assessing Mexico's Interest and Potential for Cap and Trade Emissions	XA-83049701-0	66.606	21,231
Dev. Of Market Based Mechanisms for Climate Protection	XA-83051501-0	66.034	394,257
Materials Flow in the United States	XA-83116301-0	66	20,000
Special Studies--Rob Wollcot	HQ-433-99-01M	66.HQ-433-99-01M	19,891
Preparation/Report for the EPA's Global Change Research Prgrm	2001-16/2W-4375-NASX	66.2001-16	1,398
<b>Total U.S. Environmental Protection Agency</b>			<b>695,062</b>
<b>National Science Foundation</b>			
Pass-through from University of Washington	CMS-0349873	47.041	34,176
<b>U.S. Department of Agriculture</b>			
Transparency in the Forest Sector/Brazil	03-DG-11132762-192	10.03-DG-11132762-192	6,770
Documenting and Updating the US Reg. Sector Mathematical Prgm model	43-3AEL-3-80079	10	42,551
Workshop to develop forest monitoring indicators in Cameroon	04-DG-11132762-117	10.652	20,000
Forest Pilot Mapping study in Russia	04-DG-11132762-239	10.652	5,379
Pass-through from Texas A&M	2003-38411-13493	10.217	46,683
<b>Total U.S. Department of Energy</b>			<b>121,383</b>
<b>U.S. Department of State</b>			
Develop Congo Basin Forest Partnership Web site	S-LMAQM-03-H-0068	19.SLMAQM-03-H-0068	60,573
Support the Partnership for Principle 10	S-LMAQM-02-H-0076	19.SLMAQM-02-H-0076	24,998
Promoting Environmental Democracy in Estonia	S-LMAQM-03-H-0209	19.424	15,789
Promoting Environmental Democracy in Latvia, Lithuania and Poland	S-LMAQM-04-GR-088	19.424	10,283
<b>Total U.S. Department of State</b>			<b>111,643</b>
<b>U.S. Department of Energy</b>			
Using Public Health Analysis to Create the Demand for Renewable Energy and Energy Efficiency	DE-FC02-00EE10715	81.117	192
<b>U.S. Geological Survey/U.S. Dept. of the Interior</b>			
(U.S. Fish and Wildlife) Mapping and Monitoring of Cntrl Africa forests	98210-4-G756	15.617	11,808
<b>U.S. Department of Commerce/Nat'l Oceanic and Atmospheric Admin.</b>			
Reefs at Risk: Improving the Info. avail. for Sound Mgmt and Protection	NA03NMF6430325	11.463	45,000
Implementation of U.S. Govt.Geographic info. for Suns. Dev.	NEEA2000-4-00059	11	2
<b>Total U.S. Department of Commerce/NONA</b>			<b>45,002</b>
<b>Total Federal Expenditures</b>			<b>\$ 3,622,641</b>

\*Major program

## World Resources Institute and Subsidiary

### Notes to Schedule of Expenditures of Federal Awards

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*Year ended September 30, 2004*

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#### **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, 2004. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations Receiving Federal Awards*.

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#### **NOTE B—SUBRECIPIENTS**

Of the federal expenditures presented in this Schedule, the Institute provided federal awards to subrecipients totaling \$896,504.

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#### **NOTE C—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, due to their similarities, we have considered all such contracts as one program for determination in applying OMB Circular A-133.

**Report of Independent Certified Public Accountants on  
Compliance and on Internal Control over Financial  
Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Directors  
World Resources Institute

We have audited the consolidated financial statements of the World Resources Institute (the Institute) as of and for the year ended September 30, 2004, and have issued our report thereon dated November 19, 2004. We conducted our audit 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Institute's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Institute's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Institute's Board, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



Vienna, Virginia  
November 19, 2004

Suite 300  
2070 Chain Bridge Road  
Vienna, VA 22182-2536  
T 703.847.7500  
F 703.848.9580  
W [www.grantthornton.com](http://www.grantthornton.com)

**Report of Independent Certified Public Accountants on  
Compliance with Requirements Applicable to Each  
Major Program and Internal Control over Compliance in  
Accordance with OMB Circular A-133**

Board of Directors  
World Resources Institute

### **Compliance**

We have audited the compliance of the World Resources Institute (the Institute) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2004. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 under the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Institute's compliance with those requirements.

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

### **Internal Control over Compliance**

The management of the Institute is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Institute's Board, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Grant Thornton LLP*

Vienna, Virginia  
November 19, 2004

# World Resources Institute and Subsidiary

## Schedule of Findings and Questioned Costs

Year ended September 30, 2004

<i>Section I</i>	<i>Summary of Auditor's Results</i>
<b>Financial Statements</b>	
1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting	
a. Material weaknesses identified?	None
b. Reportable conditions identified not considered to be material weaknesses?	None reported
c. Noncompliance material to the financial statements noted?	No
<b>Federal Awards</b>	
1. Internal control over major programs:	
a. Material weaknesses identified?	None
b. Reportable conditions identified not considered to be material weaknesses?	None reported
2. Type of auditor's report issued on compliance for major programs:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No
4. Identification of major program:	
U.S. Agency for International Development	02.various
5. Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	Yes
<b>Section II</b>	
Financial Statements Findings	None
<b>Section III</b>	
Federal Award Findings and Questioned Costs	None
<b>Section IV</b>	
Status of Prior Year Audit Findings and Questioned Costs	None

## Supplemental Schedules





World Resources Institute and Subsidiary

Schedule of Functional Expenses

Year ended September 30, 2004

	Climate Energy and Pollution	Biological Resources	Institutions and Governance	Sustainable Enterprise	Information	Special Studies	Communications	Total Program Expenses	Administration	Development	Total Expenses
Salaries and stipends	\$ 702,608	\$ 766,976	\$ 838,804	\$ 1,241,720	\$ 1,043,542	\$ 594,444	\$ 315,670	\$ 5,503,764	\$ 1,157,175	\$ 772,051	\$ 7,432,990
Benefits	203,771	222,229	246,129	351,515	308,653	166,360	95,291	1,593,948	340,328	228,210	2,162,486
Research expenses	173,030	180,548	172,130	115,282	294,567	141,159	972	1,077,688	11,813	243,896	1,333,397
Conference expenses	78,192	11,395	105,019	61,602	66,171	7,226	5,861	335,466	11,600	5,244	352,310
Publication expenses	6,342	24,868	68,298	116,908	143,900	30,701	43,512	434,529	4,268	67,140	505,937
Communication expenses	34,881	7,590	700	5,930	32,260	20,247	12,053	113,661	150	440	114,251
Staff and Board travel	201,251	102,362	215,956	126,373	93,156	35,534	5,669	780,301	55,776	67,386	903,463
Other direct expenses	57,173	101,480	41,872	57,086	33,142	19,293	4,130	314,176	468,396	37,100	819,672
Subgrants/subrecipients	634,425	316,890	680,920	297,586	2,689,042	23,522	—	4,642,385	—	—	4,642,385
Rent	187,467	182,348	217,270	267,120	259,270	130,570	62,156	1,306,201	—	182,864	1,489,065
Library and information services	13,267	12,905	15,377	18,905	18,349	9,241	4,399	92,443	—	12,942	105,385
Indirect salaries	43,093	41,916	49,944	61,403	59,598	30,014	14,288	300,256	—	42,035	342,291
Indirect benefits	12,376	12,038	14,343	17,634	17,116	8,620	4,103	86,230	—	12,072	98,302
Subgrant pool salaries	11,131	10,827	12,901	15,861	15,395	7,753	3,691	77,559	—	10,858	88,417
Subgrant pool benefits	3,388	3,296	3,927	4,828	4,686	2,360	1,123	23,608	—	3,305	26,913
Supplies and materials	6,962	6,772	8,068	9,920	9,628	4,849	2,308	48,507	—	6,791	55,298
Postage	4	3	4	5	6	3	1	26	—	4	30
Telephone and cables	11,021	10,720	12,773	15,704	15,242	7,676	3,654	76,790	—	10,750	87,540
Equipment and maintenance	14,141	13,755	16,389	20,149	19,557	9,849	4,689	98,329	—	13,794	112,323
Other	3,008	2,926	3,486	4,286	4,160	2,095	997	20,958	—	2,934	23,892
Depreciation	33,757	32,835	39,123	48,099	46,686	23,511	11,192	235,203	—	32,928	268,131
Total expenses	2,431,288	2,064,679	2,763,433	2,857,916	5,174,126	1,275,027	595,759	17,162,228	2,049,506	1,752,744	20,964,478
Allocation of administration costs	258,025	250,978	299,044	367,656	356,851	179,714	83,549	1,797,817	(2,049,506)	251,689	—
<b>Total</b>	<b>\$ 2,689,313</b>	<b>\$ 2,315,657</b>	<b>\$ 3,062,477</b>	<b>\$ 3,225,572</b>	<b>\$ 5,530,977</b>	<b>\$ 1,454,741</b>	<b>\$ 681,308</b>	<b>\$ 18,960,045</b>	<b>\$ —</b>	<b>\$ 2,004,433</b>	<b>\$ 20,964,478</b>

World Resources Institute and Subsidiary

Schedule of Functional Expenses—Continued

Year ended September 30, 2003

	Climate Energy and Pollution	Biological Resources	World Resources Report	Institutions and Governance	Sustainable Enterprise	Information	Special Studies	External Relations	Total Program Expenses	Administration	Development	Total Expenses
Salaries and stipends	\$ 560,657	\$ 937,218	\$ 221,207	\$ 825,051	\$ 1,213,348	\$ 1,001,178	\$ 736,096	\$ 351,860	\$ 5,846,615	\$ 880,525	\$ 816,406	\$ 7,543,546
Benefits	166,267	287,360	67,824	247,561	351,206	301,648	220,199	106,352	1,748,417	261,336	243,302	2,253,055
Research and conferences	50,627	239,436	32,022	189,568	101,381	176,370	82,477	5,343	877,224	40,767	278,210	1,196,201
Communication expenses	5,195	19,675	200	20,000	11,099	57,855	7,711	7,711	122,555	—	22,626	145,181
Publication expenses	40,880	20,896	140,774	111,830	114,848	75,539	9,354	92,512	606,633	2,015	94,945	703,593
Staff and Board travel	144,689	123,033	1,091	100,921	71,594	88,905	35,280	15,267	582,780	57,438	52,096	692,314
Other direct expenses	25,338	81,106	5,063	38,839	60,341	25,912	11,391	30,458	278,648	462,467	104,679	845,794
Subgrants/subrecipients	403,000	388,891	—	520,846	91,875	2,185,802	30,000	—	3,620,414	—	84,770	3,705,184
Rent	126,938	218,543	59,810	195,937	245,791	220,674	139,964	77,863	1,285,520	—	8,463	1,293,983
Library and information services	10,263	17,669	4,836	15,841	19,872	17,841	11,316	6,295	103,933	—	34,476	138,409
Indirect salaries and benefits	41,806	71,976	19,698	64,531	80,950	72,678	46,096	25,644	423,379	—	—	423,379
Subgrant pool salaries and benefits	9,248	15,922	4,357	14,275	17,907	16,077	10,197	5,673	93,656	—	7,627	101,283
Supplies and materials	5,786	9,962	2,726	8,931	11,204	10,059	6,380	3,549	58,597	—	4,772	63,369
Postage	575	989	271	887	1,112	999	633	352	5,818	—	474	6,292
Telephone and cables	7,900	13,601	3,722	12,194	15,297	13,734	8,711	4,846	80,005	—	6,515	86,520
Equipment rental and maintenance	11,670	20,092	5,499	18,014	22,597	20,288	12,868	7,159	118,187	—	9,624	127,811
Other	(8,442)	(14,534)	(3,978)	(13,031)	(16,346)	(14,676)	(9,308)	(5,178)	(85,493)	—	119,635	34,142
Depreciation	31,691	48,530	11,177	46,915	47,748	84,466	26,748	14,550	311,825	—	19,561	331,386
Total expenses	1,634,088	2,502,365	576,299	2,419,110	2,462,024	4,355,349	1,379,222	750,256	16,078,713	1,704,548	1,908,181	19,691,442
Allocation of administration costs	154,918	237,235	54,636	229,342	233,410	412,906	130,756	71,127	1,524,330	(1,704,548)	180,218	—
Total	\$ 1,789,006	\$ 2,739,600	\$ 630,935	\$ 2,648,452	\$ 2,695,434	\$ 4,768,255	\$ 1,509,978	\$ 821,383	\$ 17,603,043	\$ —	\$ 2,088,399	\$ 19,691,442

## World Resources Institute and Subsidiary

### Schedule of Indirect Cost Rate Calculation (Facility Costs)

Year ended September 30, 2004

Direct Expenses	Programs	Fundraising	Total Expenses
Salaries and stipends	\$ 5,503,764	\$ 772,051	\$ 6,275,815
Fringe benefits	1,593,948	228,210	1,822,158
Research expenses	1,077,688	243,896	1,321,584
Conference expenses	335,466	5,244	340,710
Communication expenses	113,661	440	114,101
Institutional cooperative agreements/subgrants	4,642,385	—	4,642,385
Publications	434,529	67,140	501,669
Staff and Board travel	780,301	67,386	847,687
Other direct costs	314,176	37,100	351,276
<b>Total direct expenses</b>	<b>14,795,918</b>	<b>1,421,467</b>	<b>16,217,385</b>
Less: Costs of institutional cooperative agreements/subgrants	(4,642,385)	—	(4,642,385)
<b>Total Allowable Direct Expenses (Allocation Base)</b>	<b>\$ 10,153,533</b>	<b>\$ 1,421,467</b>	<b>\$ 11,575,000</b>

Facility Costs	Total Facility Cost
Rent	\$ 1,489,065
Salaries	342,291
Fringe benefits	98,302
Library and information services	105,385
Supplies and materials	55,298
Postage	30
Telephone and cables	87,540
Equipment rental and maintenance	112,323
Interest/offsite storage/miscellaneous expenses	23,892
Depreciation and amortization	268,131
<b>Total facility costs</b>	<b>2,582,257</b>
Less: unbillable depreciation	(55,104)
<b>Total Allowable Facility Costs</b>	<b>\$ 2,527,153</b>

#### Calculation of Facility Cost Rate:

Total allowable facility costs/total allowable direct expenses (\$2,527,153/\$11,575,000)

21.83%

World Resources Institute and Subsidiary

Schedule of Fringe Benefit Rate Calculation

Year ended September 30, 2004

Fringe Benefits	Regular and Term Staff	Temporary Staff	Total Benefits
FICA	\$ 539,685	\$ 28,427	\$ 568,112
Group health	544,364	—	544,364
Retirement	521,550	—	521,550
Unemployment	21,151	4,567	25,718
Workers' compensation	37,296	595	37,891
Other	590,066	—	590,066
Total allocable costs	<u>\$ 2,254,112</u>	<u>\$ 33,589</u>	<u>\$ 2,287,701</u>

Regular and Term Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries	\$ 5,503,764	\$ 772,051	\$ 342,291	\$ 88,417	\$ 1,157,175	\$ 7,863,697
Less: excluded salaries expense*	(394,143)	(30,314)	(13,052)	—	(20,576)	(458,085)
Total allowable labor base	<u>\$ 5,109,621</u>	<u>\$ 741,737</u>	<u>\$ 329,239</u>	<u>\$ 88,417</u>	<u>\$ 1,136,599</u>	<u>\$ 7,405,612</u>

Calculation of fringe benefit for regular and term staff:

Total allocable costs/total allowable labor base  
(\$2,254,112/\$7,405,612)

30.44%

Temporary Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries and stipends	\$ 371,847	\$ 30,314	\$ 13,052	\$ —	\$ —	\$ 415,213
Less: excluded salaries expense*	—	—	—	—	—	—
Total allowable labor base	<u>\$ 371,847</u>	<u>\$ 30,314</u>	<u>\$ 13,052</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 415,213</u>

Calculation of fringe benefit for temporary staff:

Total allocable costs/total allowable labor base  
(\$33,589/\$415,213)

8.09%

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

## World Resources Institute and Subsidiary

### Schedule of Indirect Cost Rate Calculation (General and Administration)

*Year ended September 30, 2004*

	Programs	Fundraising	Total
Allowable total direct per page 27	\$ 10,153,533	\$ 1,421,467	\$ 11,575,000
Total allocation base for general and administrative	\$ 10,153,533	\$ 1,421,467	\$ 11,575,000
<b>General and Administrative Expenses</b>			
Salaries		\$	1,157,175
Benefits			340,328
Research expenses			11,813
Conference expenses			11,600
Publications expenses			4,268
Travel			55,776
Professional services			141,125
Memberships/fees/dues			19,286
Communication expenses			150
Recruitment/relocation			117,326
Staff meals/kitchen			19,802
Training and career development			14,707
Telephone			12,273
Postage			2,100
Reproduction			(1,875)
Miscellaneous			63,016
Non-billable unallowable			80,636
Total general and administrative expenses			2,049,506
Less: non-billable unallowable			(80,636) *
Total allowable general and administrative expenses			\$ 1,968,870
Calculation of general and administrative rate:			
Total general and administrative/total allocation base for general and administrative (\$1,968,870/\$11,575,000)			17.01%

\*Excluded unallowable expenses that are not chargeable to funders.

# World Resources Institute and Subsidiary

## Schedule of Indirect Cost Rate Calculation (Subgrant)

*Year ended September 30, 2004*

	<b>Programs</b>	<b>Fundraising</b>	<b>Total</b>
Total subgrant costs per page 27	\$ 4,642,385	\$ —	\$ 4,642,385
Total allocation base for general and administrative	\$ 4,642,385	\$ —	\$ 4,642,385
<b>General and Administrative Expenses</b>			
Salaries		\$ 88,418	
Benefits		26,913	
Total general and administrative expenses		\$ 115,331	
Calculation of subgrant rate:			
Total subgrant costs/total allocation base for general and administrative (\$115,331/\$4,642,385)			2.48%

# World Resources Institute and Subsidiary

## Note to Schedule of Indirect Cost and Fringe Benefit Rate Calculations

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*Year ended September 30, 2004*

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### NOTE A—BASIS OF ACCOUNTING

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

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

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

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

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