

Consolidated Financial Statements and  
Independent Auditor's Report and Reports in  
Compliance with OMB Circular A-133  
**World Resources Institute and Subsidiary**  
September 30, 2006 and 2005

# World Resources Institute and Subsidiary

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## Report of Independent Certified Public Accountants

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, 2006 and 2005, 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 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 consolidated 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 consolidated financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall consolidated 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, 2006 and 2005, 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 December 8, 2006, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was performed for the purpose of forming an opinion on the 2006 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 27-33 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 2006 consolidated financial statements taken as a whole.

*Grant Thornton LLP*

McLean, Virginia  
December 8, 2006

# World Resources Institute and Subsidiary

## Consolidated Statements of Financial Position

<i>September 30,</i>	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 629,200	\$ 1,845,638
Cash restricted—held for others	1,352,133	1,304,553
<b>Total cash and cash equivalents</b>	<b>1,981,333</b>	<b>3,150,191</b>
Grants, pledges and contracts receivable, net (Note C)	12,352,349	6,705,998
Investments (Note B)	39,769,959	39,503,429
Other assets	693,749	394,367
Furniture, fixtures, and equipment, net (Note D)	516,761	544,498
<b>Total Assets</b>	<b>\$ 55,314,151</b>	<b>\$ 50,298,483</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,001,834	\$ 1,161,850
Accrued salaries and benefits	494,130	419,998
Obligation under capital leases (Note E)	104,526	65,923
Deferred rent	274,343	33,794
Deferred revenue	106,768	826,328
Funds held for others	1,353,987	1,306,407
<b>Total Liabilities</b>	<b>3,335,588</b>	<b>3,814,300</b>
<b>Net Assets</b>		
Unrestricted:		
Operating	111,630	111,630
Designated—working capital reserve	2,602,839	2,375,504
Designated—other	11,061,649	9,848,299
	<b>13,776,118</b>	<b>12,335,433</b>
Temporarily restricted	13,102,445	9,048,750
Permanently restricted	25,100,000	25,100,000
<b>Total Net Assets</b>	<b>51,978,563</b>	<b>46,484,183</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 55,314,151</b>	<b>\$ 50,298,483</b>

The accompanying notes are an integral part of these statements.

# World Resources Institute and Subsidiary

## Consolidated Statements of Activities and Changes in Net Assets

Year ended September 30, 2006

	Unrestricted		Total	Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated				
<b>Revenues</b>						
Grants/contributions and contracts	\$ 6,563,251	\$ —	\$ 6,563,251	\$ 11,219,489	\$ —	\$ 17,782,740
Federal grants and cooperative agreements	5,290,187	—	5,290,187	—	—	5,290,187
Investment return, net (Note B)	56,712	3,266,799	3,323,511	—	—	3,323,511
Support from endowment income	1,826,114	(1,826,114)	—	—	—	—
Publications	38,487	—	38,487	—	—	38,487
Other	58,782	—	58,782	—	—	58,782
Net assets released from program restrictions	7,165,794	—	7,165,794	(7,165,794)	—	—
<b>Total Revenue</b>	20,999,327	1,440,685	22,440,012	4,053,695	—	26,493,707
<b>Expenses</b>						
Policy research, technical support, and communications programs	17,076,707	—	17,076,707	—	—	17,076,707
Administration	2,337,611	—	2,337,611	—	—	2,337,611
Development	1,585,009	—	1,585,009	—	—	1,585,009
<b>Total Expenses</b>	20,999,327	—	20,999,327	—	—	20,999,327
<b>Change in Net Assets</b>	—	1,440,685	1,440,685	4,053,695	—	5,494,380
Net Assets, beginning of year	111,630	12,223,803	12,335,433	9,048,750	25,100,000	46,484,183
<b>Net Assets, end of year</b>	\$ 111,630	\$ 13,664,488	\$ 13,776,118	\$ 13,102,445	\$ 25,100,000	\$ 51,978,563

The accompanying notes are an integral part of this statement.

# World Resources Institute and Subsidiary

## Consolidated Statements of Activities and Changes in Net Assets—Continued

Year ended September 30, 2005

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated			
<b>Revenues</b>					
Grants/contributions and contracts	\$ 6,843,685	\$ —	\$ 5,479,655	\$ —	12,323,340
Federal grants and cooperative agreements	3,954,631	—	—	—	3,954,631
Investment return, net (Note B)	39,008	5,348,203	—	—	5,387,211
Support from endowment income	2,730,515	(2,730,515)	—	—	—
Publications	36,227	—	—	—	36,227
Other	8,769	—	—	—	8,769
Net assets released from program restrictions	6,404,664	—	(6,404,664)	—	—
<b>Total Revenue</b>	20,017,499	2,617,688	(925,009)	—	21,710,178
<b>Expenses</b>					
Policy research, technical support, and communications programs	16,364,463	—	—	—	16,364,463
Administration	2,161,034	—	—	—	2,161,034
Development	1,582,890	—	—	—	1,582,890
<b>Total Expenses</b>	20,108,387	—	—	—	20,108,387
<b>Change in Net Assets</b>	(90,888)	2,617,688	(925,009)	—	1,601,791
<b>Net Assets, beginning of year</b>	202,518	9,606,115	9,973,759	25,100,000	44,882,392
<b>Net Assets, end of year</b>	\$ 111,630	\$ 12,223,803	\$ 9,048,750	\$ 25,100,000	\$ 46,484,183

The accompanying notes are an integral part of this statement.

# World Resources Institute and Subsidiary

## Consolidated Statements of Cash Flows

<i>Year ended September 30,</i>	2006	2005
<b>Change in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 5,494,380	\$ 1,599,297
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	272,837	236,612
Bad debt expense	(8,804)	50,000
Loss from disposal of equipment	39,015	—
Realized gain from sale of investments	(1,852,461)	(2,247,635)
Unrealized gain on investments	(1,386,700)	(3,063,812)
Changes in operating assets and liabilities:		
Cash restricted - held for others	(47,580)	(24,572)
Grants and contracts receivable	(5,637,547)	569,036
Other assets	(299,382)	(169,321)
Accounts payable	(160,016)	302,984
Accrued salaries and benefits	74,132	6,225
Funds held for others	47,580	22,718
Deferred rent	240,549	(10,138)
Deferred revenue	(719,558)	607,946
<b>Net Cash Used in Operating Activities</b>	<u>(3,943,555)</u>	<u>(2,120,660)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	14,506,768	15,214,017
Purchase of investments	(11,534,137)	(12,721,465)
Purchase of furniture, fixtures, and equipment	(284,117)	(236,612)
<b>Net Cash Provided by Investing Activities</b>	<u>2,688,514</u>	<u>2,255,940</u>
<b>Cash Flows from Financing Activities</b>		
Borrowings (Payments) on capital lease obligations	38,603	(34,920)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>38,603</u>	<u>(34,920)</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(1,216,438)	100,360
<b>Cash and Cash Equivalents, beginning of year</b>	<u>1,845,638</u>	<u>1,745,278</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 629,200</u>	<u>\$ 1,845,638</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 10,354	\$ 5,872

The accompanying notes are an integral part of these statements.



# World Resources Institute and Subsidiary

## Notes to Consolidated Financial Statements

September 30, 2006 and 2005

### 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 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 goals: (1) Access, (2) Ecosystems & People, (3) Climate, and (4) Markets & 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 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 record investment activities for the African Centre for Technology Studies (ACTS) endowment (see note H). 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:

*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

September 30, 2006 and 2005

### 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, except for limited liability partnerships, which are recorded at estimated values.

#### *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.

# World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

September 30, 2006 and 2005

## 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Concentration of Credit Risk*

Cash is held at financial institutions in excess of federally insured amounts. At September 30, 2006 and 2005, \$785,804 and \$1,533,080 respectively, were held at these institutions. The Institute has not incurred any losses on these funds.

## NOTE B—INVESTMENTS

Investments were as follows as of September 30:

	2006	2005
Short-term investments	\$ 426,775	\$ 599,814
Limited liability partnerships	18,052,667	16,697,933
Equities	21,290,517	22,205,682
Total	\$ 39,769,959	\$ 39,503,429

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

	2006	2005
Realized gains	\$ 1,852,461	\$ 2,247,635
Unrealized gains	1,386,700	3,063,803
Dividends and interest	322,555	290,294
Investment management fees and foreign taxes	(238,205)	(214,521)
Total	\$ 3,323,511	\$ 5,387,211

## World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

September 30, 2006 and 2005

### 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 was as follows:

	2006	2005
U.S. government	8%	9%
Foundations	7%	23%
Foreign governments	12%	29%
International organizations	1%	7%
Corporations, individuals, and others	72%	32%
	100%	100%

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

	2006	2005
Less than one year	\$ 6,517,467	\$ 5,877,913
One to four years	6,649,611	1,041,410
Allowance for doubtful accounts	(152,891)	(161,695)
Unamortized discount on receivables	(661,837)	(51,630)
Grants, pledges, and contracts receivable, net	\$ 12,352,349	\$ 6,705,998

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

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

	2006	2005
Furniture and equipment	\$ 1,863,239	\$ 1,735,145
Leasehold improvements	805,059	803,806
Equipment under capital lease agreements	112,675	170,675
Artwork	8,825	8,825
	2,789,798	2,718,451
Less: accumulated depreciation and amortization	(2,273,037)	(2,173,953)
Furniture, fixtures, and equipment, net	\$ 516,761	\$ 544,498

# World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

September 30, 2006 and 2005

## 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, were as follows:

	2006	2005
Equipment under capital lease	\$ 112,675	\$ 170,675
Less: accumulated amortization	(20,292)	(113,973)
Equipment under capital lease, net	\$ 92,383	\$ 56,702

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>		
2007		\$ 26,104
2008		26,104
2009		26,104
2010		15,316
2011		1,132
Thereafter		120,864
Total future minimum lease payments		(16,338)
Less: amount representing interest		104,526
Present value of minimum lease payments		\$

Interest expense related to the capital leases was \$4,696 and \$5,872 respectively, for the years ended September 30, 2006 and 2005.

## NOTE F—OFFICE LEASE COMMITMENTS AND RENT ABATEMENT

The Institute has entered into various operating lease agreements. During 2006, the Institute renegotiated and extended its current lease, under an agreement which expires in February 2019. As part of the office building lease, the Institute received two months 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, 2006 and 2005

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

The future minimum lease payments as of September 30, 2006, are as follows:

<i>September 30,</i>	
2007	\$ 1,642,761
2008	1,886,408
2009	1,928,841
2010	1,972,229
2011	2,016,592
Thereafter	<u>16,240,950</u>
Total	<u>\$ 25,687,781</u>

Rental expense for these leases was \$1,569,798 and \$1,595,688 for the years ended September 30, 2006 and 2005, respectively.

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#### NOTE G—LOANS PAYABLE

During fiscal year 2006, the Institute obtained a margin loan of \$1,000,000 from Citigroup Smith Barney with an open maturity date. The interest rate on the line-of-credit was based on London Interbank Offered Rate (LIBOR) as published in The Wall Street Journal "Money Rates" table two business dates after the date the line-of-credit is requested. The balance outstanding on this loan at September 30, 2006 was \$-0-.

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#### NOTE H—FUNDS HELD FOR OTHERS

The Ford Foundation gave a grant (for endowment) of \$1,200,000 to 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 \$152,133 as of September 30, 2006.

In addition, \$1,854 is being held for Millennium Ecosystem Assessment as of September 30, 2006.

## World Resources Institute and Subsidiary

### Notes to Consolidated Financial Statements—Continued

September 30, 2006 and 2005

#### 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 2006 and 2005, \$1,224,216 and \$1,938,380, 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 of \$601,898 to cover capital campaign expenses during the period January 1, 2002, to September 30, 2006. As of September 30, 2006, the amount drawn down for this purpose was \$4,196,954.

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.

#### NOTE J—TEMPORARILY RESTRICTED NET ASSETS

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

	2006	2005
Embarq	\$ 7,795,899	\$ —
Climate, energy, and pollution	723,972	1,950,333
People & Ecosystems	1,228,864	675,994
Institutions and governance	1,219,318	1,834,525
Sustainable enterprise	1,061,780	1,754,001
Global Information	—	846,761
Special studies	1,072,612	1,987,136
Total	\$ 13,102,445	\$ 9,048,750

## World Resources Institute and Subsidiary

### Notes to Consolidated Financial Statements—Continued

September 30, 2006 and 2005

#### NOTE J—TEMPORARILY RESTRICTED NET ASSETS—Continued

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

	2006	2005
Embarq	\$ 1,001,835	\$ —
Climate, energy, and pollution	1,306,745	1,487,743
People & Ecosystems	980,987	689,960
Institutions and governance	1,248,872	399,741
Sustainable enterprise	994,625	970,697
Global Information	42,158	1,714,686
Special studies	1,590,572	1,141,837
Total	\$ 7,165,794	\$ 6,404,664

#### NOTE K—SIGNIFICANT CONTRACTS

The Institute was awarded a four-year 6,000,000 euro grant on October 1, 2004, by the Netherlands Ministry of Foreign Affairs for core funding in response to their proposal *Leveraging Change at the Nexus of Poverty, Ecosystem and Governance*. A total of \$1,817,000 of this grant has been received as of September 30, 2006. The Dutch government has been a major supporter of the Institute for several years. Their contributions accounted for approximately 7.8 percent and 11 percent of non-investment-related revenue for 2006 and 2005, respectively.

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 \$4,406,116 and \$3,118,815 for the years ended September 30, 2006 and 2005, respectively. Such revenue accounted for approximately 18 percent and 19 percent of total federal and non-federal grants, contributions, and cooperative agreement revenues during the years ended September 30, 2006 and 2005.

#### 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, 2006 and 2005, was \$555,104 and \$525,793, respectively.



## World Resources Institute and Subsidiary

### Notes to Consolidated Financial Statements—Continued

*September 30, 2006 and 2005*

#### NOTE M—PROGRAM EXPENSE

Expenses by program are as follows as of September 30:

	2006	2005
Information	\$ —	\$ 3,033,805
Institutions and governance	3,450,683	2,985,336
People & Ecosystems	4,443,154	2,605,276
Sustainable enterprise	2,406,598	2,223,301
Embarq	1,748,850	1,774,482
Climate, energy, and pollution	2,677,697	1,750,459
Special studies/innovations	631,237	1,260,199
Communications	1,718,488	731,605
Total	\$ 17,076,707	\$ 16,364,463

The Institute has included the Information Program into the Biological Resources and Communication programs during 2006.

**Supplemental Information**



**World Resources Institute and Subsidiary**

Supplemental Schedule of Expenditures of Federal Awards

Year Ended September 30, 2006

Federal Grantor Program Title	Federal Contract Number	Federal CFDA Number	2006 Expenses
<b>U.S. Agency for International Development:</b>			
Forest Policy and Environmental Governance	AOT-A-00-00-00241-00	98	\$ 2,182,327
Governing Ecosystems	EEE-A-00-02-00056-00	98	567,127
Improved Governance & Sustainable Use of Forest Resources	623-A-00-03-00075-00	98	1,000,373
Catalyzing Private Sector Invstmt to Alleviate Poverty	EPP-A-00-04-00041-00	98	96,292
Mrkt Initiatives/Adv Clean Energy & Sustn Grn Busn Dev in India	386-A-00-05-00199-00	98	343,175
Improved Governance & Sustainable Use of Forest Resources	623-A-00-06-00048-00	98	6,538
Pass-through from United Nations Environment Programme	QGA-2312-5068-2612	98	130,784
Pass-through from Academy of Educational Development	EPP-A-00-04-00002-00	98	53,085
Pass-through from SRA International	GS00T99ALD0211	98	6,123
Pass-through from Development Alternatives, Inc.	497-M-00-05-00043-00	98	12,203
Pass-through from Int'l Resources Group	687-C-00-04-00155-00	98	8,090
Total for U.S. Agency for International Development			4,406,117
<b>U.S. Environmental Protection Agency:</b>			
Combating Global Climate Change: Flexibility with Integrity	X-82924001-5	66.606	66,235
Assesing Mexico's Interest & Potential for Cap & Trade emissions	XA-83049701-0	66.606	24,262
Dev. of Market Based Mechanisms for Climate Protection	XA-83051501-0	66.034	179,147
Dev. & Disseminate Grnhs Gas Measurement Reporting Tools	XA-83268701-0	66	100,000
Training Materials on Emissions Account/India & Mexico	EPO5W002960	66	59,826
Analysis of Trnsp Based Imprvmts in Air Quality in Mexico	EP06H00296	66	40,474
Dev of Custm Emissions Acctg tools for India & Mexico	EP05W002959	66	28,298
IPCC Authorship	EP05W000223	66	15,004
Development and Application of Infrastructure for a Model Trading Registry and Agricultural Participation - Kalamazoo River	WS96569601-0	66	77,663
Pass-through from Kansas State University	RD-83177401	66.509	18,625
Total for U.S. Environmental Protection Agency			609,534
<b>U.S. Department of Agriculture</b>			
Documenting & Updating the US Reg. Sector Mathematical Prgm model	43-3AEL-3-80079	10	1,439
Pass-through from Texas A&M	2003-38411-13493	10.217	8,295
Pass-through from PA Env. Council	NRCS 68-3A75-4-181	10	78,645
Pass-through from Iowa State University	NRCS 68-3A75-4-137	10	53,673
Total for U.S. Department of Agriculture			142,052
<b>National Science Foundation</b>			
Pass through from Iowa State University	CMS-0424700	47.041	108,002
Pass through from Cornell University	BCS-0508028	47.075	10,607
BE Sustainability, Winter 2006	BES-0637801	47.041	1
Total for National Science Foundation			118,610
<b>U.S. Dept. of Commerce/National Oceanic &amp; Atmospheric Admin.</b>			
Reefs at Risk: Improving the Info. avail. for Sound mgmt & protection	NA03NMF6430325	11.463	1,404
<b>U.S. Dept. of Energy</b>			
Analysis of the Hydrogen Production and Delivery Infrastructure	DE-FG36-05GO15034	81.117	3,792
<b>U.S. Dept. of State</b>			
Promoting Environmental Democracy in Latvia, Lithuania & Poland	S-LMAQM-04-GR-088	19.424	8,678
<b>Total Federal Expenditures</b>			\$ 5,290,187

## World Resources Institute and Subsidiary

### Notes to Schedule of Expenditures of Federal Awards

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*Year ended September 30, 2006*

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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, 2006. 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 \$1,252,072.

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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, because of 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  
Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Board of Directors  
World Resources Institute and Subsidiary

We have audited the consolidated financial statements of the World Resources Institute and Subsidiary (the Institute) as of and for the year ended September 30, 2006, and have issued our report thereon dated December 8, 2006. We conducted our audit 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.

**Internal Control over Financial Reporting**

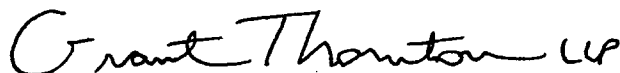
In planning and performing our audit, we considered the Institute's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the consolidated 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.

**Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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*.

We noted certain matters that we reported to management of the Institute in a separate letter dated January 9, 2007.

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.



McLean, Virginia  
December 8, 2006

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

Board of Directors  
World Resources Institute and Subsidiary

We have audited the consolidated financial statements of the World Resources Institute and Subsidiary (the Institute) as of and for the year ended September 30, 2006, and have issued our report thereon dated December 8, 2006. We conducted our audit 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.

**Internal Control over Financial Reporting**

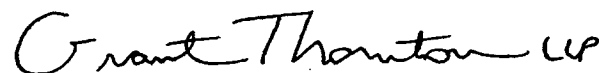
In planning and performing our audit, we considered the Institute's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the consolidated 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.

**Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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*.

We noted certain matters that we reported to management of the Institute in a separate letter dated January 9, 2007.

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.



McLean, Virginia  
December 8, 2006

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**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 and Subsidiary

**Compliance**

We have audited the compliance of the World Resources Institute and Subsidiary (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, 2006. 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants; 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 in 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 its major federal programs for the year ended September 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-01, 06-02, and 06-03.

**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 compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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* 

McLean, Virginia  
December 8, 2006



# World Resources Institute and Subsidiary

## Schedule of Findings and Questioned Costs

Year ended September 30, 2006

### Section I

### Summary of Auditor's Results

#### Financial Statements

- |   |               |
|---|---------------|
| 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            |

#### Federal Awards

- |   |             |
|---|-------------|
| 1. Internal control over major programs:  |             |
| a. Material weaknesses identified?  | None        |
| b. Reportable conditions identified not considered to be material weaknesses?   | None        |
| 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)? | Yes         |
| 4. Identification of major program:   |             |
| U.S. Agency for International Development   | 98.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         |

#### Section II—Financial Statements Findings

(None reported)

## World Resources Institute and Subsidiary

### Schedule of Findings and Questioned Costs—Continued

*Year ended September 30, 2006*

#### **Section III—Federal Award Findings and Questioned Costs**

##### **Finding 06-01—Subrecipient Monitoring**

*Program:* U.S. Agency for International Development—Forest Policy and Environmental Governance—AOT-A-00-00-00241-00; Governing Ecosystems—EEE-A-00-02-00056-00

*Criteria:* At the time of an award, the entity is required to make subrecipients aware of the award information (CFDA title and number, amount of award, award name, name of Federal agency) and requirements imposed by laws, regulations and the provisions of contract or grant agreements.

*Condition:* We noted two instances where the signed mandatory standard provisions prepared by the Institute did not include in the grant requirements that the subrecipient should not be suspended or debarred by an U.S. Federal Department or Agency. In addition, we noted three instances where no federal contract number was provided.

*Questioned Cost:* No specific questioned costs were noted.

*Recommendation:* We recommend that management establish procedures to ensure that at the time of an award to a subrecipient that all the required award information and requirements imposed by laws, regulations and the provisions of the contract or grant agreement are provided to the subrecipient.

*Corrective Action/Status:* We agree with the above recommendation and that procedures be established to ensure that, at the time of an award to a subrecipient, all award required information and requirements imposed by laws, regulations, and the provisions of the contract or grant are provided to the subrecipient.

##### **Finding 06-02—Subrecipient Monitoring**

*Program:* U.S. Agency for International Development—Forest Policy and Environmental Governance—AOT-A-00-00-00241-00; Improved Governance & Sustainable Use of Forest Reserves—623-A-00-03-00075-00

*Criteria:* Documentation should be obtained by management during the award monitoring to ascertain that the subrecipient used Federal awards for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals.

*Condition:* Per review of the quarterly financial status reports, we noted four instances where the report was not approved by the Director of Grants Management.

*Questioned Cost:* No specific questioned costs were noted.

## World Resources Institute and Subsidiary

### Schedule of Findings and Questioned Costs—Continued

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*Year ended September 30, 2006*

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#### **Section III—Federal Award Findings and Questioned Costs—Continued**

##### **Finding 06-02—Subrecipient Monitoring—Continued**

*Recommendation:* We recommend that management ensure the quarterly financial status reports are reviewed and approved by the appropriate individual. The approval should be documented on the reports.

*Corrective Action/Status:* The review of subgrant report is conducted by program staff first which will review the expenses against the budget as well as program progress. The second review is conducted by the Grants Coordinator which reviews the math for accuracy and logs the report in the subgrant tracking system. Once these reviews are conducted, the final review is performed by the Grants Director. Part of this review includes the review of the prior report against the current report to ensure that the cumulative numbers are accurate, so the report was reviewed; however, sign-off was overlooked. In the future, the Institute will ensure consistency with this procedure.

##### **Finding 06-03—Subrecipient Monitoring**

*Program:* U.S. Agency for International Development—Mrkt/Initiatives/Adv Clean Energy & Sustn Grn Busn Dwn India-386-A-00-05-00199-00; Pass through from United Nations Environment Programme-QGA-2312-5068-2612

*Criteria:* Documentation should be obtained during the award monitoring to ascertain that subrecipients used Federal awards for authorized purposes, complied with laws, regulations, and the provisions of contracts and grant agreements, and achieved performance goals.

*Condition:* We noted two subrecipients where the financial status reports were not submitted on a quarterly basis as requested by the grant agreement.

*Questioned Cost:* No specific questioned costs were noted.

*Recommendation:* We recommend that management ensure the quarterly financial status reports are submitted on a quarterly basis in accordance with the terms of the grant agreements.

*Corrective Action/Status:* The work under the cooperative agreement (Mrkt/Initiatives/Adv Clean Energy & Sustn Grn Busn Dwn India) with USAID was on hold until late February 2006. Once agreement was reached in which activities to initiate (i.e. the New Venture Program and hold on GHG Protocol), activities were initiated and reports were filed and received on a quarterly basis. The first payment to CII in this project was not sent to them until April 2006.

The working relationship under this sub agreement (United Nations Environment Programme) has been quite difficult from the outset. Not only was reporting not consistent, but there was a lot of difficulty getting deliverables on time. The Institute was able to get the final deliverables; however, it is very unlikely that the Institute will work with the partner again. Fortunately, the Institute as a whole has a very good record of strong partnerships.

**Supplemental Schedules**



World Resources Institute and Subsidiary

schedule of Functional Expenses

as ended September 30, 2006

	Climat, Energy and Pollution	People & Ecosystems	Embarq	Institutions and Governance	Sustainable Enterprise	Special Studies/ Innovations	Communications	Total Program Expenses	Administration	Development Including Capital Campaign	Total Expenses
Salaries	\$ 1,196,850	\$ 1,488,105	\$ 550,293	\$ 1,011,904	\$ 994,985	\$ 88,856	\$ 712,711	\$ 6,043,704	\$ 1,270,219	\$ 807,561	\$ 8,121,484
fringe Benefits	353,104	443,334	161,289	302,856	282,385	26,907	206,405	1,776,280	381,558	242,977	2,400,815
research Expenses	120,018	334,158	215,775	184,591	49,184	261,832	267,078	1,432,636	4,086	29,490	1,466,212
conference Expenses	26,837	43,095	33,090	146,164	11,771	12,082	11,198	284,237	19,383	4,256	307,876
publication Expenses	206,156	148,186	9,487	81,433	99,336	52,651	86,740	683,989	5,829	43,677	733,495
communication Expenses	—	—	273	—	10	19,060	27,321	46,664	—	43,221	89,885
travel	149,532	242,609	119,673	174,535	142,399	14,152	39,123	882,043	83,180	78,545	1,043,768
other Direct Costs	19,930	68,393	43,957	25,754	16,047	35,863	23,451	233,395	573,356	34,388	841,139
grants	119,631	1,026,699	349,329	1,071,854	436,475	—	22,500	3,026,488	—	—	3,026,488
grant	256,833	343,017	140,513	238,838	197,803	63,377	170,280	1,410,661	—	159,137	1,569,798
library and Information Services	15,175	20,267	8,302	14,111	11,687	3,745	10,061	83,348	—	9,402	92,750
direct Salaries	70,519	94,183	38,581	65,578	54,311	17,402	46,754	387,328	—	43,692	431,020
direct Benefits	21,206	28,322	11,602	19,720	16,332	5,233	14,059	116,474	—	13,139	129,613
grant Pool Salaries	11,666	15,581	6,383	10,849	8,985	2,879	7,755	64,078	—	7,229	71,307
grant Pool Benefits	3,559	4,753	1,947	3,309	2,741	878	2,360	19,547	—	2,205	21,752
supplies and Materials	11,337	15,142	6,203	10,543	8,732	2,798	7,513	62,268	—	7,025	69,293
telephone and Cables	17,941	23,961	9,816	16,684	13,818	4,427	11,895	98,542	—	11,117	109,659
equipment Rental and Maintenance	26,400	35,259	14,444	24,550	20,332	6,515	17,503	145,003	—	16,358	161,361
other Indirect	6,344	8,472	3,471	5,899	4,886	1,565	4,206	34,843	—	3,931	38,774
depreciation	44,639	59,618	24,422	41,511	34,379	11,015	29,595	245,179	—	27,659	272,838
Total Expenses	2,677,697	4,443,154	1,748,850	3,450,683	2,406,598	631,237	1,718,488	17,076,707	2,337,611	1,585,009	20,999,327
location of administration costs	382,454	510,791	209,241	355,657	294,551	94,376	253,566	2,100,637	(2,337,611)	236,974	—
TOTAL	\$ 3,060,151	\$ 4,953,945	\$ 1,958,091	\$ 3,806,340	\$ 2,701,149	\$ 725,613	\$ 1,972,054	\$ 19,177,344	\$ —	\$ 1,821,983	\$ 20,999,327

World Resources Institute and Subsidiary

Schedule of Functional Expenses

For the period September 30, 2005

	Climate Energy and Pollution	People & Ecosystems	Embargo	Institutions and Governance	Sustainable Enterprise	Information	Special Studies/ Innovations	Communications	Total Program Expenses	Administration	Development Including Capital Campaign	Total Expenses
salaries and stipends	\$ 860,615	\$ 1,003,785	\$ 526,434	\$ 823,278	\$ 986,189	\$ 736,010	\$ 452,237	\$ 328,949	\$ 5,719,497	\$ 1,177,987	\$ 789,515	\$ 7,686,999
benefits	238,976	287,713	152,843	241,044	257,394	199,934	121,341	106,039	1,605,284	334,014	227,746	2,167,044
research expenses	94,436	245,964	120,541	230,607	52,554	164,533	119,218	34,653	1,062,506	57,491	74,394	1,194,391
conference expenses	7,978	14,655	46,688	128,774	86,558	7,435	161,346	5,484	458,918	82,369	24,813	566,100
publication expenses	69,626	79,434	18,374	119,815	61,978	655,225	31,181	67,186	1,102,819	8,259	85,166	1,196,244
communication expenses	1,000	—	239	—	10,090	4,645	76	22,497	38,547	—	—	38,547
staff and Board travel	90,668	176,851	157,675	125,669	135,291	37,502	35,507	14,240	773,403	55,668	47,166	876,237
other direct expenses	20,415	27,787	21,633	31,987	26,826	20,088	79,449	13,460	241,645	445,246	33,142	720,033
grants/subrecipients	41,901	338,021	484,864	882,324	226,841	779,906	25,000	—	2,778,857	—	—	2,778,857
entertainment	179,736	238,510	135,665	221,232	210,023	237,105	129,940	76,963	1,429,174	—	166,516	1,595,690
library and information services	9,688	12,855	7,312	11,924	11,320	12,780	7,004	4,148	77,031	—	8,975	86,006
indirect salaries	48,453	64,297	36,572	59,639	56,617	63,918	35,029	20,748	385,273	—	44,889	430,162
indirect benefits	12,999	17,249	9,812	16,000	15,189	17,148	9,397	5,566	103,360	—	12,043	115,403
independent contractor	7,997	10,612	6,036	9,843	9,344	10,549	5,781	3,424	63,586	—	7,407	70,993
independent contractor salaries	2,376	3,153	1,793	2,924	2,776	3,134	1,718	1,017	18,891	—	2,201	21,092
supplies and materials	7,474	9,918	5,641	9,199	8,733	9,860	5,403	3,200	59,428	—	6,924	66,352
postage	2	2	1	2	2	2	1	1	13	—	2	15
telephone and cables	7,927	10,519	5,983	9,757	9,263	10,457	5,731	3,394	63,031	—	7,344	70,375
equipment and maintenance	18,394	24,409	13,884	22,641	21,494	24,266	13,298	7,877	146,263	—	17,041	163,304
other	3,146	4,175	2,375	3,872	3,676	4,150	2,274	1,347	25,015	—	2,915	27,930
depreciation	26,652	35,367	20,117	32,805	31,143	35,158	19,268	11,412	211,922	—	24,691	236,613
total expenses	1,750,459	2,605,276	1,774,482	2,985,536	2,223,301	3,033,805	1,260,199	731,605	16,364,463	2,161,034	1,582,890	20,108,387
location of administration costs	243,416	323,013	183,730	299,613	284,433	321,110	175,977	104,231	1,935,523	(2,161,034)	225,511	—
total	\$ 1,993,875	\$ 2,928,289	\$ 1,958,212	\$ 3,284,949	\$ 2,507,734	\$ 3,354,915	\$ 1,436,176	\$ 835,836	\$ 18,299,986	\$ —	\$ 1,808,401	\$ 20,108,387

## World Resources Institute and Subsidiary

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

Year ended September 30, 2006

Direct Expenses	Programs	Fundraising	Total Expenses
Salaries and stipends	\$ 6,043,704	\$ 807,561	\$ 6,851,265
Fringe benefits	1,776,280	242,977	2,019,257
Research expenses	1,432,636	29,490	1,462,126
Conference expenses	284,237	4,256	288,493
Communication expenses	46,664	43,221	89,885
Institutional cooperative agreements/subgrants	3,026,488	—	3,026,488
Publications	683,989	43,677	727,666
Staff and Board travel	882,043	78,545	960,588
Other direct costs	233,395	34,388	267,783
<b>Total direct expenses</b>	<b>14,409,436</b>	<b>1,284,115</b>	<b>15,693,551</b>
Less: costs of institutional cooperative agreements/subgrants	(3,026,487)	—	(3,026,487)
<b>Total Allowable Direct Expenses (Allocation Base)</b>	<b>\$ 11,382,949</b>	<b>\$ 1,284,115</b>	<b>\$ 12,667,064</b>

Facility Costs	Total Facility Cost
Rent	\$ 1,569,798
Salaries	431,020
Fringe benefits	129,613
Library and information services	92,750
Supplies and materials	69,293
Telephone and cables	109,659
Equipment rental and maintenance	161,361
Interest/offsite storage/miscellaneous expenses	38,774
Depreciation and amortization	272,838
<b>Total Allowable Facility Costs</b>	<b>\$ 2,875,106</b>

#### Calculation of Facility Cost Rate:

Total allowable facility costs/total allowable direct expenses (\$2,875,106/\$12,667,064)

22.70%

World Resources Institute and Subsidiary

Schedule of Fringe Benefit Rate Calculation

Year ended September 30, 2006

Fringe Benefits	Regular and Term Staff	Temporary Staff	Total Benefits
FICA	\$ 573,722	\$ 26,263	\$ 599,985
Group health	670,826	—	670,826
Retirement	555,104	—	555,104
Unemployment	20,767	3,841	24,608
Workers' compensation	42,719	724	43,443
Other	658,214	—	658,214
Total allocable costs	<u>\$ 2,521,352</u>	<u>\$ 30,828</u>	<u>\$ 2,552,180</u>

Regular and Term Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries	\$ 6,043,704	\$ 807,561	\$ 431,023	\$ 71,306	\$ 1,270,219	\$ 8,623,813
Less: excluded salaries expense*	(314,691)	(15,927)	(6,370)	—	(21,587)	(358,575)
Total allowable labor base	<u>\$ 5,729,013</u>	<u>\$ 791,634</u>	<u>\$ 424,653</u>	<u>\$ 71,306</u>	<u>\$ 1,248,632</u>	<u>\$ 8,265,238</u>

Calculation of fringe benefit for regular and term staff:

Total allocable costs/total allowable labor base  
(\$2,521,352/\$8,265,238) 31.51%

Temporary Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries and stipends	\$ 330,618	\$ —	\$ 750	\$ —	\$ 7,049	\$ 338,417
Less: excluded salaries expense*	(7,426)	—	—	—	—	(7,426)
Total allowable labor base	<u>\$ 323,192</u>	<u>\$ —</u>	<u>\$ 750</u>	<u>\$ —</u>	<u>\$ 7,049</u>	<u>\$ 330,991</u>

Calculation of fringe benefit for temporary staff:

Total allocable costs/total allowable labor base  
(\$30,828/\$330,991) 9.31%

\*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, 2006

	Programs	Fundraising	Total
Allowable total direct per page 29	\$ 11,382,949	\$ 1,284,115	\$ 12,667,064
Total allocation base for general and administrative	\$ 11,382,949	\$ 1,284,115	\$ 12,667,064

#### General and Administrative Expenses

Salaries		\$	1,270,219
Benefits			381,558
Research expenses			4,086
Conference expenses			19,383
Publications expenses			5,829
Travel			83,180
Professional services			255,574
Memberships/fees/dues			53,610
Recruitment/relocation			97,721
Staff meals/kitchen			20,702
Training and career development			26,859
Telephone			11,135
Postage			2,244
Reproduction			(4,327)
Miscellaneous			31,719
Non-billable unallowable			78,119
Total general and administrative expenses			2,337,611
Less: non-billable unallowable			(78,119) *
Total allowable general and administrative expenses		\$	2,259,492
Calculation of general and administrative rate:			
Total general and administrative/total allocation base for general and administrative (\$2,259,492/\$12,667,064)			17.84%

\*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, 2006*

	<b>Programs</b>	<b>Fundraising</b>	<b>Total</b>
Total subgrant costs per page 29	\$ 3,026,487	\$ —	\$ 3,026,487
Total allocation base for general and administrative	\$ 3,026,487	\$ —	\$ 3,026,487
<b>General and Administrative Expenses</b>			
Salaries		\$	71,306
Benefits			21,752
Total general and administrative expenses		\$	93,058
Calculation of subgrant rate:			
Total subgrant costs/total allocation base for general and administrative (\$93,058/\$3,026,487)			3.07%

## World Resources Institute and Subsidiary

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

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*Year ended September 30, 2006*

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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.