

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

World Resources Institute and Subsidiaries

September 30, 2019 and 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
World Resources Institute and Subsidiaries

We have audited the accompanying consolidated financial statements of World Resources Institute and subsidiaries (collectively, the "Institute"), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Resources Institute and subsidiaries as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Arlington, Virginia
March 30, 2020

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30,

Assets

	2019	2018
Cash and cash equivalents	\$ 23,287,804	\$ 22,168,914
Cash restricted (Note I)	15,287	41,650
Grants, pledges and contracts receivable, net (Note E)	100,188,875	71,717,989
Investments (Notes C and D)	38,266,606	38,503,414
Other assets	2,308,717	2,344,694
Software, furniture, fixtures, and equipment, net (Note F)	5,928,446	6,892,781
Total Assets	\$ 169,995,735	\$ 141,669,442

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 9,928,979	\$ 9,026,271
Accrued salaries and benefits	4,222,516	4,167,138
Deferred rent	4,402,485	3,537,838
Deferred revenue	2,224,696	8,586,340
Funds held for others	33,962	125,533
Term loan (Note H)	1,073,628	1,357,144
Total Liabilities	21,886,266	26,800,264

Net Assets

Without donor restrictions

Undesignated	-	2,444,490
Board designated - operating reserve	5,176,522	-
Board designated - working capital reserve	3,523,649	3,523,649
	8,700,171	5,968,139

With donor restrictions (Note J)

Restricted for specific purpose and/or passage of time	112,342,836	81,660,574
Reserve fund (endowment) - unappropriated earnings	1,966,462	2,140,465
Reserve fund (endowment) - restricted in perpetuity	25,100,000	25,100,000
	139,409,298	108,901,039

Total Net Assets

	148,109,469	114,869,178
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Total Liabilities and Net Assets

	\$ 169,995,735	\$ 141,669,442
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The accompanying notes are an integral part of these consolidated financial statements.

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions			Total
		Time and/or Purpose Restricted	Reserve Fund Unappropriated Earnings	Reserve Fund Restricted in Perpetuity	
Operating revenues					
Grants/contributions and contracts	\$ 70,548,646	\$ 87,831,211	\$ -	\$ -	\$ 158,379,857
Federal grants and cooperative agreements	4,501,614	-	-	-	4,501,614
Investment return, net	-	-	1,563,194	-	1,563,194
Other	170,107	-	-	-	170,107
Support from endowment income	1,737,197	-	(1,737,197)	-	-
Net assets released from program and time restrictions (Note J)	55,184,100	(55,184,100)	-	-	-
Total operating revenues	132,141,664	32,647,111	(174,003)	-	164,614,772
Operating expenses					
Policy research, technical support, and communications programs	116,716,447	-	-	-	116,716,447
Administration	10,021,989	-	-	-	10,021,989
Development	2,002,755	-	-	-	2,002,755
Total operating expenses	128,741,191	-	-	-	128,741,191
Change in net assets from operations	3,400,473	32,647,111	(174,003)	-	35,873,581
Nonoperating Activities					
Realized and unrealized loss due to foreign currency adjustment	(668,441)	(1,964,849)	-	-	(2,633,290)
Change in net assets from nonoperating activities	(668,441)	(1,964,849)	-	-	(2,633,290)
CHANGE IN NET ASSETS	2,732,032	30,682,262	(174,003)	-	33,240,291
Net assets, beginning of year	5,968,139	81,660,574	2,140,465	25,100,000	114,869,178
Net assets, end of year	\$ 8,700,171	\$ 112,342,836	\$ 1,966,462	\$ 25,100,000	\$ 148,109,469

The accompanying notes are an integral part of this consolidated financial statement.

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions			Total
		Time and/or Purchase Restricted	Reserve Fund Unappropriated Earnings	Reserve Fund Restricted in Perpetuity	
Operating revenues					
Grants/contributions and contracts	\$ 64,679,882	\$ 70,156,395	\$ -	\$ -	\$ 134,836,277
Federal grants and cooperative agreements	5,571,680	-	-	-	5,571,680
Investment return, net	-	-	2,220,179	-	2,220,179
Other	256,627	-	-	-	256,627
Support from endowment income	1,756,687	-	(1,756,687)	-	-
Net assets released from program and time restrictions (Note J)	38,886,722	(38,886,722)	-	-	-
Total operating revenues	111,151,598	31,269,673	463,492	-	142,884,763
Operating expenses					
Policy research, technical support, and communications programs	99,395,855	-	-	-	-
Administration	7,016,102	-	-	-	-
Development	2,469,732	-	-	-	-
Total operating expenses	108,881,689	-	-	-	108,881,689
Change in net assets from operations	2,269,909	31,269,673	463,492	-	34,003,074
Nonoperating Activities					
Write-off of uncollectible grants	-	(428,858)	-	-	(428,858)
Unrealized loss due to foreign currency adjustment	(771,068)	-	-	-	(771,068)
Change in net assets from nonoperating activities	(771,068)	(428,858)	-	-	(1,199,926)
CHANGE IN NET ASSETS	1,498,841	30,840,815	463,492	-	32,803,148
Net assets, beginning of year	4,469,298	50,819,759	1,676,973	25,100,000	82,066,030
Net assets, end of year	\$ 5,968,139	\$ 81,660,574	\$ 2,140,465	\$ 25,100,000	\$ 114,869,178

The accompanying notes are an integral part of this consolidated financial statement.

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2019

	Food, Forests Water, Ocean	Cities and Transport	Climate	Energy	Governance, Finance, Economics Business	Shared and Special Projects	Total Program Expenses	Administration	Development	Total Expenses
Salaries	\$ 9,170,910	\$ 6,975,785	\$ 7,172,873	\$ 1,949,066	\$ 5,441,351	\$ 1,960,836	\$ 32,670,821	\$ 4,809,612	\$ 714,760	\$ 38,195,193
Fringe benefits	3,927,876	2,899,545	3,084,421	785,358	2,361,567	822,511	13,881,278	2,061,657	314,149	16,257,084
Research expenses	6,079,610	1,715,251	2,332,164	396,613	1,852,633	191,578	12,567,849	101,429	167,073	12,836,351
Conference expenses	1,260,246	491,041	875,211	53,794	285,396	92,424	3,058,112	158,819	301,221	3,518,152
Publication expenses	886,164	357,816	938,962	15,056	219,938	206,722	2,624,658	8,656	39,138	2,672,452
Communication expenses	1,201,678	330,432	1,055,228	2,189	81,172	134,098	2,804,797	35	6	2,804,838
Travel	1,687,468	1,339,881	1,481,471	224,800	788,837	265,892	5,788,349	379,742	92,669	6,260,760
Occupancy	968,318	675,857	687,500	162,941	485,789	213,983	3,194,388	438,067	96,299	3,728,754
Other direct costs	543,337	436,314	328,433	56,477	184,952	(52,915)	1,496,598	2,063,972	99,754	3,660,324
Subgrants	15,237,701	7,613,883	2,005,656	861,846	3,436,296	436,320	29,591,702	-	-	29,591,702
Library and information services	65,175	38,564	45,491	9,238	29,646	9,716	197,830	-	4,624	202,454
Indirect salaries	719,625	425,804	502,292	101,998	327,331	107,280	2,184,330	-	51,053	2,235,383
Indirect benefits	314,980	186,375	219,853	44,645	143,273	46,957	956,083	-	22,346	978,429
Subgrant pool salaries	462,626	231,162	60,893	26,166	104,328	13,247	898,422	-	-	898,422
Subgrant pool benefits	202,104	100,986	26,602	11,431	45,577	5,787	392,487	-	-	392,487
Subgrant pool other costs	74,445	37,198	9,799	4,211	16,788	2,132	144,573	-	-	144,573
Rent, postage, supplies and materials	35,572	21,047	24,828	5,041	16,180	5,303	107,971	-	2,523	110,494
Telephone and cables	105,154	62,220	73,397	14,904	47,831	15,676	319,182	-	7,460	326,642
Equipment rental and maintenance	475,558	281,389	331,935	67,405	216,314	70,895	1,443,496	-	33,738	1,477,234
Other indirect	192,938	114,162	134,669	27,347	87,760	28,763	585,639	-	13,688	599,327
Depreciation	595,604	352,421	415,727	84,420	270,918	88,792	1,807,882	-	42,254	1,850,136
Total expenses before G&A allocation	44,207,089	24,687,133	21,807,405	4,904,946	16,443,877	4,665,997	116,716,447	10,021,989	2,002,755	128,741,191
Allocation of administration costs	3,226,325	1,909,026	2,251,948	457,293	1,467,537	480,975	9,793,104	(10,021,989)	228,887	-
Total expenses after G&A allocations	\$ 47,433,414	\$ 26,596,159	\$ 24,059,353	\$ 5,362,239	\$ 17,911,414	\$ 5,146,972	\$ 126,509,551	\$ -	\$ 2,231,642	\$ 128,741,191

The accompanying notes are an integral part of this consolidated financial statement.

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2018

	Food, Forests, Water, Ocean	Cities and Transport	Climate	Energy	Governance, Finance, Economics, Business	Shared and Special Projects	Total Program Expenses	Administration	Development	Total Expenses
Salaries	\$ 8,216,633	\$ 4,987,213	\$ 5,805,865	\$ 1,399,820	\$ 4,022,536	\$ 2,856,773	\$ 27,288,840	\$ 3,279,170	\$ 1,151,890	\$ 31,719,900
Fringe benefits	3,636,000	2,066,679	2,584,569	575,940	1,788,294	1,242,472	11,893,954	1,442,148	517,475	13,853,577
Research expenses	3,753,554	2,265,125	1,624,651	294,563	544,736	1,207,608	9,690,237	167,396	-	9,857,633
Conference expenses	607,785	329,104	699,918	52,074	113,079	173,877	1,975,837	125,393	161,592	2,262,822
Publication expenses	172,225	249,043	668,312	6,850	62,962	195,080	1,354,472	8,079	26,941	1,389,492
Communication expenses	1,335,764	84,365	1,337,932	140,142	100,585	58,685	3,057,473	(400)	18	3,057,091
Travel	1,375,658	1,159,601	1,237,909	203,153	561,427	350,837	4,888,585	306,527	110,250	5,305,362
Occupancy	872,253	542,712	629,873	128,639	430,768	337,146	2,941,391	369,570	125,768	3,436,729
Other direct costs	552,824	247,215	295,993	40,098	163,322	77,556	1,377,008	1,318,219	143,633	2,838,860
Subgrants	12,618,885	9,766,491	1,718,404	595,779	910,788	1,159,226	26,769,573	-	-	26,769,573
Rent	(2,896)	(1,684)	(2,100)	(401)	(1,099)	(917)	(9,097)	-	(316)	(9,413)
Library and information services	60,650	35,260	43,989	8,397	23,015	19,209	190,520	-	6,613	197,133
Indirect salaries	569,564	331,121	413,102	78,854	216,131	180,395	1,789,167	-	62,099	1,851,266
Indirect benefits	253,864	147,586	184,127	35,146	96,333	80,405	797,461	-	27,679	825,140
Subgrant pool salaries	435,240	336,857	59,270	20,549	31,414	39,983	923,313	-	-	923,313
Subgrant pool benefits	195,232	151,101	26,586	9,218	14,091	17,935	414,163	-	-	414,163
Subgrant pool other costs	62,226	48,160	8,474	2,938	4,491	5,716	132,005	-	-	132,005
Supplies and materials	67,486	39,234	48,947	9,343	25,609	21,375	211,994	-	7,358	219,352
Postage	399	232	289	55	151	126	1,252	-	44	1,296
Telephone and cables	98,811	57,444	71,667	13,680	37,495	31,296	310,393	-	10,773	321,166
Equipment rental and maintenance	312,506	181,678	226,659	43,265	118,586	98,978	981,672	-	34,072	1,015,744
Other indirect	183,838	106,876	133,337	25,452	69,761	58,226	577,490	-	20,044	597,534
Depreciation	585,157	340,187	424,412	81,013	222,049	185,334	1,838,152	-	63,799	1,901,951
Total expenses before G&A allocation	35,963,658	23,471,600	18,242,185	3,764,567	9,556,524	8,397,321	99,395,855	7,016,102	2,469,732	108,881,689
Allocation of administration costs	2,158,587	1,254,914	1,565,614	298,847	819,115	683,677	6,780,754	(7,016,102)	235,348	-
Total expenses after G&A allocations	\$ 38,122,245	\$ 24,726,514	\$ 19,807,799	\$ 4,063,414	\$ 10,375,639	\$ 9,080,998	\$ 106,176,609	\$ -	\$ 2,705,080	\$ 108,881,689

The accompanying notes are an integral part of this consolidated financial statement.

World Resources Institute and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30,

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 33,240,291	\$ 32,803,148
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,850,135	1,901,950
Realized gain from sale of investments	(305,367)	(671,155)
Unrealized gain on investments	(376,344)	(776,673)
Reinvested interest/dividends	(1,057,700)	(942,805)
Changes in operating assets and liabilities:		
Cash restricted - held for others	26,363	13,110
Grants and contracts receivable	(28,470,886)	(29,577,734)
Other assets	35,977	(577,606)
Accounts payable	902,708	(449,989)
Accrued salaries and benefits	55,378	620,010
Deferred rent	864,647	(671,710)
Deferred revenue	(6,361,644)	3,196,780
Funds held for others	(91,571)	7,416
	311,987	4,874,742
Cash flows from investing activities:		
Proceeds from sales of investments	11,148,985	23,378,625
Purchase of investments	(9,172,766)	(21,440,711)
Purchase of software, furniture, fixtures, and equipment	(885,800)	(1,050,477)
	1,090,419	887,437
Cash flow from financing activities:		
Payments on term loan	(283,516)	(285,713)
	(283,516)	(285,713)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,118,890	5,476,466
Cash and cash equivalents, beginning of year	22,168,914	16,692,448
Cash and cash equivalents, end of year	\$ 23,287,804	\$ 22,168,914
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 35,768	\$ 54,123

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

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Principles of Consolidation

World Resources Institute and subsidiaries (collectively the “Institute”) is an independent research and policy institute founded in 1982 to help governments, environmental and development organizations, and private businesses address a fundamental question as to how societies can meet basic human needs and nurture economic growth without undermining the natural resource base and environmental integrity.

The Institute’s work is carried out by a 940-member interdisciplinary staff, strong in sciences, and augmented by a network of advisors, collaborators, fellows, and cooperating institutes in more than 60 countries. The Institute focuses on seven critical issues: Climate, Energy, Food, Forests, Water, Cities and Ocean. Work on these seven issues is supported by experts in four disciplinary centers: Business, Economics, Finance, and Governance.

The accompanying consolidated financial statements include the accounts of the Institute’s separately incorporated subsidiaries: the World Resources Institute Fund (“WRIF”), the World Resources Institute India (“WRII”), the World Resources Institute (US) Beijing Representative Office (“WRI China”), and the WRI Europe Stichting (“WRI Europe”). Descriptions of the activities of each are provided below.

WRIF was created in 1986 as a supporting organization to the Institute. WRIF currently manages the Lee Schipper Scholarship Fund initiated by the Shell Foundation (see Note I).

WRII, a wholly owned subsidiary of the Institute, is a for-profit company incorporated in India. WRII provides services including, but not limited to, research and analysis to collate and create information to improve and sustainably develop resources and services such as energy, water, food, forests, transit services and urban planning, information to mitigate climate change and develop resilience to climate change, and any other work in the area of holistic planning and environment conservation. WRII’s work is carried out by an 80-member interdisciplinary staff, strong in sciences, and is augmented by a network of advisors, collaborators, fellows, and cooperating institutes across India.

WRI China, a Regional Office of the Institute, is a not-for-profit company incorporated in China. WRI China works closely with leaders to turn big ideas into action to sustain our natural resources — the foundation of economic opportunity and human well-being. WRI China focuses on five critical issues at the intersection of socioeconomic development and the environment: sustainable cities, climate, water, energy and finance.

WRI Europe is registered as a not-for-profit limited liability company under Dutch law and is based in The Hague. WRI Europe works to increase the Institute’s global impact by fostering innovative partnerships, sharing WRI research findings, and ensuring that WRI learns from European insights and experience in development and environmental protection. WRI Europe also actively engages with bilateral donors, foundations and other partners to mobilize funding to support our work. The European Union plays a key role in promoting sustainable development, within Europe and on the global stage. WRI Europe engages with European partners to advance shared goals.

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

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 ("GAAP"). The Financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Adoption of New Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The Institute adopted ASU 2016-14 during fiscal 2019 and the significant changes include:

- Requiring the presentation of two net asset classes - "net assets without donor restrictions" and "net assets with donor restrictions";
- Modifying the presentation of endowment funds with deficiencies and related disclosures;
- Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;
- Requiring that all not-for-profits present an analysis of expenses by function and nature either in a separate statement or in the notes to the financial statements;
- Requiring disclosure of quantitative and qualitative information on liquidity;
- Presenting investment return net of external and direct internal investment expenses; and
- Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

Classification of Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. These net assets were previously referred to as unrestricted prior to the adoption of ASU 2016-14. Net assets without donor restrictions also include the investment in software, furniture, fixtures and equipment, net of accumulated depreciation. The Institute's policy is to designate donor gifts without restriction at the discretion of the Board of Directors. The board of directors has designated net assets without donor restrictions for the following uses:

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

Board Designated - Working Capital Reserve - Amounts designated by the Board of Directors of the Institute to be maintained as part of a reserve and used to support certain specific future activities as defined by the Board of Directors.

Net Assets With Donor Restrictions - Net assets whose use by the Institute is subject to donor-imposed stipulations that can be fulfilled by actions of the Institute pursuant to those stipulations or that expire by the passage of time. These net assets were previously referred to as temporarily restricted and permanently restricted prior to the adoption of ASU 2016-14. Net assets with donor restrictions also include net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Institute. The donors of these net assets may permit the Institute to use all or part of the income earned on the related investments for general or specific purposes.

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions are reported as increases in the appropriate category of net assets, except for the contributions that impose restrictions that are met in the same fiscal year they are received, which are included in revenues without donor restriction.

Income from grants and contracts are currently recorded as revenue without donor restriction when the costs are incurred. Amounts received that have not been expended are recorded as deferred revenue. The amount of expenses incurred in excess of funds received is included in grants and contracts receivable.

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

Foreign Currency

The United States dollar is the functional currency of the Institute; however, the Institute maintains financial assets and liabilities in foreign currencies to meet local obligations in foreign locations. The financial assets and liabilities in foreign currencies are translated using exchange rates in effect at the end of the period and revenue and costs are translated using weighted average exchange rates for the period.

During the years ended September 30, 2019 and 2018, foreign exchange fluctuations resulted in unrealized losses to the Institute totaling \$1,751,763 and \$771,068, respectively, as a result of hedge restrictions from some bilateral donors. Management has decided to hedge all significant foreign currency receivables that can be reasonably assured/estimated in terms of amount and collection period, to reduce the Institute's exposure to foreign exchange fluctuations.

Cash and Cash Equivalents

The Institute considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents except for cash and cash equivalents held in investment accounts.

Investments

Investments held by the Institute are presented at their fair market value. Purchases and sales of securities are recorded on a trade-date basis. Investment income is recorded on an accrual basis. Gains and losses on investments, realized and unrealized, are included in the consolidated statement of activities.

Software, Furniture, Fixtures and Equipment

Software, furniture, fixtures, and equipment are recorded at cost or fair value if acquired as gifts. Depreciation is recorded on the straight-line basis over estimated useful lives that range from three to seven years. Leasehold improvements are amortized over the shorter of their useful lives or the lease term. Assets purchased under a capital lease are recorded as an asset and a corresponding obligation at the beginning of the lease term. The recorded amount is equal to the present value of the minimum lease payments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

Leased assets are amortized over the shorter of their useful lives or the lease term. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss arising from such disposition is included in the consolidated statement of activities.

The Institute has capitalized its collections. Collections consist of artwork that is held for public exhibition. Collections purchased are capitalized at cost, collections donated are capitalized at appraised value as of the date of the acceptance of the donation. Collections are not depreciated.

Costs Subject to Audit

The Institute's costs under its government grants and cooperative agreements are subject to audit by the awarding agencies. Management of the Institute does not believe that the results of such audits would have a material impact on the financial position and operating results of the Institute.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

As of September 30, 2019, all interest-bearing U.S. deposit accounts maintained by the Institute were insured up to \$250,000 at each financial institution by the Federal Deposit Insurance Corporation. The Institute's cash balances at times, may exceed federally insured limits. However, the Institute has not experienced any losses within these accounts and therefore believes it is not exposed to any significant credit risk associated with those deposits.

The Institute has cash in foreign accounts totaling \$2,927,559 and \$1,371,679 at September 30, 2019 and 2018, respectively.

Income Tax

The Institute and WRIF are exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code ("IRC" or the "Code"), though they are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. WRI is an entity described under Section 509(a)(1) and WRIF is an entity described under Section 509(a)(3) of the IRC and, therefore, are not classified as private foundations. The World Resources Institute India, a wholly owned subsidiary of WRI, is a for-profit company incorporated in India. WRI China, a Regional Office of WRI, is a not-for-profit company incorporated in China. WRI Europe Stichting is registered as a non-for-profit limited liability company under Dutch law.

The Institute has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. No material taxable unrelated business income was generated and, accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The tax years ending September 30, 2016, 2017, 2018 and 2019 are still open to audit for both federal and state purposes.

The Institute follows the accounting guidance that creates a single model to address uncertainty in tax positions and clarifies accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in its consolidated financial statements. Under the

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

requirements of this guidance, organizations could now be required to record an obligation as the result of tax positions they have historically taken on various tax exposure items. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The Institute is not required to record such an obligation.

Measure of Operations

The accompanying statements of activities distinguish between operating and non-operating activities. Operating activities principally include all revenues and expenses that are an integral part of the Institute’s programs and supporting activities and investment return net of expenses. Non-operating activities include realized and unrealized gains and losses due to foreign currency adjustment, recovery (write-off) of uncollectible grants and other activities which are considered to be nonrecurring in nature.

Expense Allocation

The costs of providing various programs have been summarized on a functional basis and allocated among programs and supporting services benefited. Certain costs are reported among program and supporting services based on specific identification, or allocated using appropriate bases such as headcount or square footage, which have been consistently applied.

NOTE B - LIQUIDITY AND AVAILABILITY

The Institute’s Board approved a Reserve Policy in 2019 that stipulates all net assets without donor restrictions are considered part of either the Operating Reserve or the Working Capital Reserve, both of which require board approval before expenditure. As such, WRI does not consider these board-designated reserves to be available for general expenditure within year.

The Institute is substantially supported by grants and contracts from governments and private sponsors. Most grants and other contributions carry donor restrictions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Institute must maintain sufficient resources to meet those commitments to donors. Thus, certain financial assets are available for program expenditure, but may not be available for general expenditure within a year. As part of the Institute’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Institute invests cash in excess of daily requirements in short-term investment and money market funds.

The Institute’s financial assets available for general expenditure, that is, without Board, donor, or contractual restrictions limiting their use, within one year of the date of the statement of financial position of September 30, 2019 consist of the Board-approved annual endowment draw of 4.5% of the trailing 12 quarter average of the donor-restricted endowment value, or \$1.7 million. This amount is also referred to as the endowment fund appropriation for the following year.

In the event of unanticipated liquidity needs, the Institute can also draw upon \$9.5 million of an available line of credit. In addition, the Institute has \$1.9 million in unappropriated earnings on its donor-restricted endowment fund, plus a Board-designated endowment fund of \$3.5 million, which are available for general expenditure with appropriate Board approval.

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

NOTE C - INVESTMENTS

Investments were as follows as of September 30:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 144,865	\$ 308,357
Equity securities	14,027,824	14,233,180
Mutual funds:		
Equity funds	5,829,845	5,991,088
Fixed income funds	16,429,069	16,845,025
Alternative investments:		
Hedge funds	35,526	213,154
Private equity funds	<u>1,799,477</u>	<u>912,610</u>
 Total investments	 <u>\$ 38,266,606</u>	 <u>\$ 38,503,414</u>

NOTE D - FAIR VALUE

ASC 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Institute classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value, as well as the general classification pursuant to the valuation hierarchy.

Money Market Funds, Equity Securities, and Mutual Funds

Investments in money market funds and equity securities valued at the quoted prices in an active market are classified within Level 1 of the fair value hierarchy.

Alternative Investments

Alternative investments consist of investments in various funds. These investments are aggregated into hedge, equity, fixed income, emerging market and real estate funds based on their underlying investments. The fair value of such investments is determined using the NAV per share as a practical expedient. The investments, which are redeemable at or near year-end at NAV per share, are not classified within the fair value hierarchy.

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

The following table summarizes the valuation of financial instruments at fair value on a recurring basis in the consolidated statement of financial position at September 30, 2019.

	<u>Level 1</u>	<u>Reported at NAV</u>	<u>Total</u>
Money market funds	\$ 144,865	\$ -	\$ 144,865
Equity securities	14,027,824	-	14,027,824
Mutual Funds:			
Equity funds	5,829,845	-	5,829,845
Fixed income funds	16,429,069	-	16,429,069
Alternative investments:			
Hedge funds	-	35,526	35,526
Private equity funds	-	1,799,477	1,799,477
	<u>\$ 36,431,603</u>	<u>\$ 1,835,003</u>	<u>\$ 38,266,606</u>

The following table summarizes the valuation of financial instruments at fair value on a recurring basis in the consolidated statement of financial position at September 30, 2018.

	<u>Level 1</u>	<u>Reported at NAV</u>	<u>Total</u>
Money market funds	\$ 308,357	\$ -	\$ 308,357
Equity securities	14,233,180	-	14,233,180
Mutual Funds:			
Equity funds	5,991,088	-	5,991,088
Fixed income funds	16,845,025	-	16,845,025
Alternative investments:			
Hedge funds	-	213,154	213,154
Private equity funds	-	912,610	912,610
	<u>\$ 37,377,650</u>	<u>\$ 1,125,764</u>	<u>\$ 38,503,414</u>

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

The table below presents additional information for the Institute's investments, as of September 30, 2019 and 2018, whose fair value is estimated using the practical expedient of reported NAV. These disclosures are required for all investments that are eligible to be valued using the practical expedient regardless of whether the practical expedient has been applied.

	<u>Fair Value at 9/30/2019</u>	<u>Fair Value at 9/30/2018</u>	<u>Unfunded Commitments at 9/30/2019</u>	<u>Expected Liquidation Term</u>	<u>Redemption Terms at 9/30/209</u>	<u>Redemption Restrictions 9/30/209</u>
Hedge funds ^(a)	\$ 35,526	\$ 213,154	None	In liquidation	In liquidation	Not applicable
Private equity funds ^(b)	<u>1,799,477</u>	<u>912,610</u>	\$1,290,416	8-10 years	Upon liquidation	Not applicable
	<u>\$ 1,835,003</u>	<u>\$ 1,125,764</u>				

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

(b) This class includes investments in private equity funds that invest in companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. The fair values of the investments have been estimated by using the NAV per share of the funds.

NOTE E - GRANTS, PLEDGES, AND CONTRACTS RECEIVABLE

Grants, pledges and contracts receivable are recorded at their net realizable values. The mix of receivables as of September 30 was as follows:

	<u>2019</u>	<u>2018</u>
U.S. government	2%	4%
Foundations	21%	24%
Foreign governments	62%	46%
International organizations	8%	14%
Corporations, individuals, and others	7%	12%
	<u>100%</u>	<u>100%</u>

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

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 78,273,221	\$ 54,851,623
Due within one to five years	<u>22,964,636</u>	<u>17,655,451</u>
Total gross grants, pledges and contracts receivable	101,237,857	72,507,074
Less:		
Allowance for doubtful accounts	(295,061)	(184,825)
Unamortized discount on receivables	<u>(753,921)</u>	<u>(604,260)</u>
Grants, pledges, and contracts receivable, net	<u>\$ 100,188,875</u>	<u>\$ 71,717,989</u>

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

Contributions that are to be received over multiple years are discounted to present value at a discount rate commensurate with the risk at the time the contributions were pledged. Discount rates used as of September 30, 2019 and 2018 ranged from 2.55% to 3.94% and from 2.62% to 3.94%, respectively. Allowance for doubtful accounts is determined based on the average write-offs as a percentage of revenue over the last five years. Grants, pledges and contracts receivable are written-off when deemed to be uncollectible.

The Institute received new conditional pledges of \$34,737,801 and \$97,273,353 during the years ended September 30, 2019 and 2018, respectively. The Institute has recorded revenue of \$34,368,327 and \$53,183,324 for the years ended September 30, 2019 and 2018, respectively, the extent to which the conditions on the pledges have been met. As of September 30, 2019 and 2018, the Institute had conditional pledges outstanding of \$81,761,758 and \$79,006,977, respectively. Pledge payments due over the ensuing three years are conditional based on progress and reporting satisfactory to the donor.

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

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

	<u>2019</u>	<u>2018</u>
Furniture, equipment and software	\$ 11,118,708	\$ 10,329,617
Leasehold improvements	6,216,708	6,120,085
Equipment under capital lease agreements	70,235	70,235
Artwork	8,825	8,825
	<u>17,414,476</u>	<u>16,528,762</u>
Less: accumulated depreciation and amortization	<u>(11,486,030)</u>	<u>(9,635,981)</u>
Furniture, fixtures, and equipment, net	<u>\$ 5,928,446</u>	<u>\$ 6,892,781</u>

NOTE G - OFFICE LEASE COMMITMENTS AND RENT ABATEMENT

The Institute has entered into various operating lease agreements.

During 2007, the Institute renegotiated and extended its current lease for its Washington, DC office space, under an agreement which was to expire in February 2019. In 2015, the Institute extended the existing lease through December 2028. As part of the office building lease, the Institute received a total of six months of free rent; from February 2016 to July 2016. This rent abatement is being amortized on a straight-line basis over the life of the lease as a reduction of rent expense. Also, as part of the office building lease, the Institute received a tenant allowance of \$4,545,305. The tenant allowance was \$2,958,861 and \$3,277,830 for the years ended September 30, 2019 and 2018, respectively, and was being amortized on a straight-line basis over the life of the lease as a reduction of rent expenses.

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

Minimum future rental payments under non-cancelable leases as of September 30, 2019 are as follows:

<u>September 30,</u>	
2020	\$ 3,642,894
2021	3,664,189
2022	3,633,538
2023	3,654,802
2024	3,715,573
Thereafter	<u>16,540,662</u>
 Total	 <u>\$ 34,851,658</u>

Rental expense for these leases was \$3,742,400 and \$3,504,851 for the years ended September 30, 2019 and 2018, respectively.

NOTE H – TERM LOAN

The Institute entered into a 7-year term loan agreement with SunTrust Bank for an amount not to exceed \$3,500,000. On December 1, 2015, the Institute drew \$2,000,000 on their term loan which bears 3.44% fixed interest. Interest expenses were \$45,735 and \$51,900 for the years ended September 30, 2019 and 2018, respectively. Pursuant to the Security Agreement executed in connection with the term loan, the Institute has granted to SunTrust Bank a security interest in all of the Institute's assets as collateral.

Principle payments are as follows for the years subsequent to September 30, 2019:

<u>September 30,</u>	
2020	\$ 285,714
2021	285,714
2022	285,714
2023	<u>216,486</u>
 Total	 <u>\$ 1,073,628</u>

The Institute entered into an interest rate swap agreement, with an effective date of December 1, 2015, whereby the Institute agreed to swap its variable rate of interest of 1-month LIBOR plus 1.30% for a fixed rate equal to 3.44%. The variable rate of interest at September 30, 2019 and 2018 was 3.40% and 2.54%, respectively. The notional amount, per swap agreement, was \$1,073,628 and \$1,357,144 as of September 30, 2019 and 2018, respectively, and is amortized monthly until the termination date on May 28, 2023. The fair value of the swap agreement as of September 30, 2019 and 2018 was a liability of \$13,291 and an asset of \$21,555, respectively. Net settlement transactions related to the swap agreement resulted in a net gain to the Institute totaling \$2,966 and net loss totaling \$6,516 for the years ended September 30, 2019 and 2018, respectively.

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

As of and for the years ended September 30, 2019 and 2018, amounts included within the financial statements relating to the interest rate swap agreement are as follows:

<u>Fair Value at September 30, 2019</u>	<u>Statement of Financial Position Location</u>	<u>Change in Value of Interest Rate Swap Agreement for the Year Ended September 30, 2019</u>	<u>Statement of Activities Location</u>	<u>Level Within Fair Value Hierarchy</u>
\$(13,291)	Other Assets	\$(34,846)	Other Income	Level 2

<u>Fair Value at September 30, 2018</u>	<u>Statement of Financial Position Location</u>	<u>Change in Value of Interest Rate Swap Agreement for the Year Ended September 30, 2018</u>	<u>Statement of Activities Location</u>	<u>Level Within Fair Value Hierarchy</u>
\$21,555	Other Assets	\$39,703	Other Income	Level 2

On October 24, 2016, the Institute entered into a revolving line-of-credit agreement with SunTrust Bank for \$9,500,000 which bears interest at the daily floating LIBOR plus 1.30%. There were no amounts outstanding on this line-of-credit as of September 30, 2019 and 2018.

NOTE I - RESTRICTED CASH

During 2012, the Shell Foundation provided a grant of \$100,000 to EMBARQ, a WRI program in memory of the late Lee Schipper to establish a scholarship fund. Other smaller donors have since contributed an additional \$6,325 to this effort. As of September 30, 2019 and 2018, this fund had a balance of \$15,287 and \$41,650 respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Cities and transport	\$ 17,363,955	\$ 24,597,495
Climate	26,870,920	5,901,837
Energy	3,930,305	5,455,971
Food, forests and water	32,991,026	26,582,747
Governance	4,792,976	7,042,114
Finance	6,091,737	243,880
Business	13,443,796	6,074,608
Economics	1,672,638	-
Special studies/innovation	5,757,746	6,747,465
Development	286,714	124,850
Communication and world resources report	251,090	68,346
Cumulative unappropriated endowment earnings	1,966,462	2,140,465
Cynthia Helms Fellowship Fund	309,165	337,100
Foreign currency unrealized (loss) gain	(1,269,570)	(1,143,364)
Multi-year receivable discount	(149,662)	(372,475)
Endowment restricted in perpetuity	<u>25,100,000</u>	<u>25,100,000</u>
 Total	 <u>\$ 139,409,298</u>	 <u>\$ 108,901,039</u>

Net assets released from restrictions by incurring expenses satisfying specific purposes or with passage of time during the years ended September 30, are as follows:

	<u>2019</u>	<u>2018</u>
Cities and transport	\$ 16,080,957	\$ 15,257,472
Climate	3,842,288	6,437,669
Energy	2,962,365	903,378
Food, forests and water	18,380,519	11,902,830
Governance	3,055,834	1,254,667
Finance	269,758	429,678
Business	5,724,179	378,062
Economics	1,737,520	-
Special studies/innovation	2,905,254	2,258,053
Communication and world resources report	83,406	57,396
Development	<u>142,020</u>	<u>7,517</u>
 Total	 <u>\$ 55,184,100</u>	 <u>\$ 38,886,722</u>

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

NOTE K - ENDOWMENT FUNDS

In 1987, the MacArthur Foundation gave the Institute a challenge loan of \$12,516,000 with the understanding that it would forgive this loan to the extent that the Institute raised qualifying matching funds under a comprehensive development program. The purpose of the challenge loan was to facilitate the establishment of a donor-restricted endowment for the Institute.

After the Institute successfully met the terms of the loan agreement, a donor-restricted endowment of \$25 million (cost basis) was formally established on January 1, 1991, with earnings on the corpus expendable to support any activities of the Institute. The Institute's Board of Directors adopted an Investment Policy Statement (IPS), which establishes spending rules for future withdrawals of earnings to cover portions of the Institute's annual operating budget while protecting the value of the donor-restricted endowment against inflation. Investment earnings from the donor-restricted endowment (net of investment expenses) are recognized as revenue with donor restriction.

In 2003, a separate endowment fund was created from individual contributions totaling \$100,000 for the purpose hiring interns. Investment earnings from this donor-restricted endowment fund are recognized as revenue with donor restriction and used to pay wages for interns.

Interpretation of Relevant Law

The Management and Board of Directors of the Institute have interpreted Delaware's "Uniform Prudent Management of Institutional Funds Act of 2007," absent explicit donor stipulations to the contrary, to require the Institute to act in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulate endowment funds, taking into account both its obligation to preserve the value of the endowment and its obligation to use the endowment to achieve the purposes for which it was donated. The Institute classifies net assets with donor restriction as (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment required by the applicable donor gift instrument, if applicable.

Endowment Investment Policies

The Institute's investment objectives are to safeguard and preserve the real purchasing power of the endowment while earning investment returns that are commensurate with the Institute's risk tolerance and sufficient to meet its operational requirements. The investments prioritize the long-term sustainability factors the Institute has identified as most critical, and integrates environmental, social, and governance (ESG) and impact funds into the endowment, which the Institute believes will maximize long-term risk-adjusted returns and align the portfolio strategy with the Institute's sustainable investment objectives.

The Institute recognizes that analyzing and transitioning an entire portfolio to incorporate sustainability takes time and is not immediate; it is committed to finding, over time, high quality investment options that fit both its sustainable investment and financial objectives, which can bring additional benefits, such as mission alignment, programmatic learning, and practical experience to inform an actionable model for other investors to emulate. The specific investment objectives for the Operating and Program Fund and the Reserve Fund are set forth below.

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

Reserve Fund

The Reserve Fund shall be invested with the objective of preserving the long-term real purchasing power of the Reserve Fund's assets while seeking an appropriate level of investment return. More specifically, the Institute's investment objectives and constraints for the Reserve Fund include the following:

Preservation of Purchasing Power. The Institute aims to at least preserve the real purchasing power of its assets over time by seeking returns on its investments that are in excess of the spending rate (described below) and the rate of inflation.

Long-Term Growth. The Institute seeks to achieve growth in its assets in excess of inflation by emphasizing long-term investment fundamentals in structuring its investments.

Time Horizon. The Institute intends to invest for the long-term, with the total return on the portfolio evaluated on a five-year rolling basis. It is recognized that not every five-year period will meet the Institute's objectives, but the Institute aims to attain its objectives over a series of five-year periods. The Institute will monitor shorter-term investment results and trends while focusing on long-term results.

Risk Tolerance. The Institute seeks to control risk and reduce the volatility in its portfolio through diversification. However, short-term volatility is characteristic of the securities markets and will be tolerated if such volatility is consistent with the volatility of similar investment portfolios (such as the volatility of performance benchmarks, described below). The Institute recognizes and acknowledges that some risk must be assumed in order to achieve the long-term investment objectives of the portfolio. In establishing its risk tolerance, the Institute's ability to withstand short- and intermediate-term variability as well as the statistical probability of loss for a given period of time for the portfolio is evaluated by the Finance and Investment Committee.

Liquidity Requirements. The Institute seeks to maintain adequate liquidity to meet its obligations. The Board or the Finance and Investment Committee will inform the Investment Advisor/OCIO (Outsourced Chief Investment Officer) of any anticipated need for liquidity as such need becomes known. The Investment Advisor/OCIO will presume no liquidity needs other than those provided by this Policy or the Board or the Finance and Investment Committee.

The investment allocation is shown in Note C.

Endowment Spending Policy

The Board of Directors approves an operating budget and associated endowment draw annually. The Institute spending guideline shall normally be 4.5% of the trailing 12 quarter average market value of the investments. The Board may approve a deviation from the 4.5% guideline if deemed prudent.

During 2019 and 2018, \$1,737,197 and \$1,756,687, respectively, of these earnings were transferred from net assets with donor restriction to operating net assets without donor restrictions in accordance with the policy statement referred to above.

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

Changes in endowment net assets for the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions		Total
	Working Capital Reserve	Reserve Fund		
		Unappropriated Earnings	Restricted in Perpetuity	
Endowment net assets, beginning of year	\$ 3,523,649	\$ 2,140,465	\$ 25,100,000	\$ 30,764,114
Total investment return	-	1,563,194	-	1,563,194
Appropriation of endowment assets for expenditure	-	(1,737,197)	-	(1,737,197)
Endowment net assets, end of year	\$ 3,523,649	\$ 1,966,462	\$ 25,100,000	\$ 30,590,111

Changes in endowment net assets for the year ended September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions		Total
	Working Capital Reserve	Reserve Fund		
		Unappropriated Earnings	Restricted in Perpetuity	
Endowment net assets, beginning of year	\$ 3,523,649	\$ 1,676,973	\$ 25,100,000	\$ 30,300,622
Total investment return	-	2,220,179	-	2,220,179
Appropriation of endowment assets for expenditure	-	(1,756,687)	-	(1,756,687)
Endowment net assets, end of year	\$ 3,523,649	\$ 2,140,465	\$ 25,100,000	\$ 30,764,114

Operating and Program Fund

In 2019, WRI's Board approved a Reserve Policy creating an Operating & Program Fund to be invested with the objective of preserving assets to cover the Institute's operating expenses and to realize earnings in a way that allows for immediate liquidity to meet the Institute's ongoing programmatic and operational needs. Operating & Program Fund assets may be maintained in the checking account that the Institute uses for day-to-day operations and may be invested in other cash-equivalent investments, such as savings accounts, money market accounts, certificates of deposit with maturities appropriate for expected needs, Treasury bills, investment grade fixed income and other liquid instruments. The balance of this fund was \$0 as of September 30, 2019.

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

NOTE L - SIGNIFICANT CONTRIBUTIONS AND CONTRACTS

In July 2013, the Ministry of Foreign Affairs of Denmark awarded the Institute a DKK 15,000,000 grant for two years to support WRI's core funding activities and Global Green Growth Forum. In March 2015, an additional grant of DKK 22,500,000 and a two-year extension was awarded to support WRI's Strategic Plan 2014-2017 "Scaling our Impact in Urgent Times." As of September 30, 2019 and 2018, the Institute has received \$5,961,852 and \$5,961,852, respectively; and the Institute has spent \$5,961,852 and \$5,961,852, respectively. In December 2016, an additional grant of DKK 700,000 was awarded for WRI's support in the design phase of a new 3GF initiative. As of September 30, 2019 and 2018, the Institute has received \$99,913 and \$99,913, respectively; and the Institute has spent \$95,656 and \$95,656, respectively.

In February 2018, Ministry of Foreign Affairs of Denmark awarded the Institute a DKK 15,000,000 grant for the first year of a five year-program to support the implementation of Institute's Strategic Plan 2018-2022. In June 2019, a DKK 15,000,000 grant for the second year was awarded for the project. With annual approvals of provisions in the Danish Financial Act, an additional DKK 45,000,000 will be awarded for Year 3 to Year 5. As of September 30, 2019 and 2018, the Institute has received \$4,713,856 and \$2,471,536, respectively; and the Institute has spent \$3,903,084 and \$2,102,676, respectively.

In December 2017, Ministry of Foreign Affairs of the Netherlands awarded the Institute a \$4,300,000 grant for the first year of a five year-program to support the implementation of Institute's Strategic Plan 2018-2022. In December 2018, a \$4,300,000 grant for the second year was awarded for the project. With sufficient funds made available by the budget legislator, an additional \$12,900,000 will be awarded for Year 3 to Year 5. As of September 30, 2019 and 2018, the Institute has received \$8,600,000 and \$4,300,000, respectively; and the Institute has spent \$8,080,745 and \$3,806,148, respectively.

In December 2017, Swedish International Development Cooperation Agency awarded the Institute a SEK 65,000,000 grant for the first and second year of a five year-program to support Institute's Strategic Plan 2018-2022. In December 2018 and June 2019, a SEK 45,000,000 grant for the second year was awarded for the project. With parliamentary appropriation of funds, an additional SEK 80,000,000 will be awarded for Year 3 to Year 5. As of September 30, 2019 and 2018, the Institute has received \$12,296,252 and \$7,538,056, respectively; and the Institute has spent \$7,453,162 and \$3,361,347, respectively.

In March 2019, Federal Minister for the Environment, Nature Conservation, and Nuclear Safety awarded the Institute a EUR 5,000,000 grant to support the project "Transformational Project Pipelines for NDC Implementation". As of September 30, 2019, the Institute has received \$0 and has spent \$472,148.

In November 2018, Federal Ministry of Economic Cooperation and Development awarded the Institute an EUR 6,971,700 grant to support the project "Continuing Accelerated Technical Assistance to Countries on NDC and SDG Implementation". As of September 30, 2019, the Institute has received \$2,238,669 and has spent \$882,937.

In December 2018, UK Department for International Development awarded the Institute a GBP 3,500,000 grant support Forest Governance, Markets and Climate Programme. In June 2019, an additional grant of GBP 404,452 was awarded for the project. As of September 30, 2019, the Institute has received \$1,339,468 and has spent \$1,171,641.

In July 2019, Ministry of Foreign Affairs of the Netherlands awarded the Institute a \$5,900,000 grant to support Partnering for Green Growth and the Global Goals 2030. As of September 30, 2019, the Institute has received \$1,250,000 and has spent \$215,335.

In October 2017, Ministry of Climate and Environment of Norway awarded the Institute a NOK 21,000,000 grant for three years to support "Websak 17/2050, the New Climate Economy Project". In April 2018, an additional grant of NOK 1,620,000 was awarded for the project. In September 2018, an additional grant of NOK 73,300,000 was awarded for the project. In January 2019, an additional grant of NOK 31,911,795 was

World Resources Institute and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2019 and 2018

awarded for the project. As of September 30, 2019 and 2018, the Institute has received \$8,536,384 and \$1,318,466, respectively; and the Institute has spent \$8,917,234 and \$3,568,074, respectively.

In March 2019, Ministry of Climate and Environment of Norway awarded the Institute a NOK 38,436,885 grant for the first year of a 5-year-program to support Global Forest Watch Achieving Sustainability and Scaling Impact. With annual approvals of Norwegian parliamentary appropriations, an additional NOK 156,563,115 will be awarded for Year 2 to Year 5. As of September 30, 2019, the Institute has received \$575,116 and has spent \$1,209,520.

The Institute initiates and completes a substantial portion of its projects within the Food Forests & Water, Governance Center and Climate Programs pursuant to cooperative agreements and contracts from the U.S. Agency for International Development. The revenue pursuant to these cooperative agreements and contracts was \$2,572,488 and \$3,499,260 for the years ended September 30, 2019 and 2018, respectively. Such revenue accounted for approximately 1.98% and 3.19% of total federal and non-federal grants, contributions, and cooperative agreement revenues during the years ended September 30, 2019 and 2018, respectively.

NOTE M - EMPLOYEE BENEFITS

The Institute contributes either 5% or 8% (based on years of service) of eligible employees' annual earnings, as defined in Plan agreements under a defined contribution plan. The amount contributed to the Plan for the years ended September 30, 2019 and 2018, totaled \$2,530,160 and \$2,187,035, respectively.

NOTE N - RELATED PARTIES

During the year ended September 30, 2014, a board member provided a grant in the amount of \$30,500,000 conditioned upon meeting certain annual milestones through June 1, 2020. As of September 30, 2019, \$25,500,000 of this grant has been received and \$30,500,000 has been recognized as grant revenue, \$5,000,000 of which recognized during the year ended September 30, 2019.

During the year ended September 30, 2018, a board member provided a grant in the amount of \$6,000,000 March 31, 2020. As of September 30, 2019, \$6,000,000 has been recognized as grant revenue, \$3,000,000 has been received.

Additional board member contributions of \$708,237 and \$779,930 were recognized for the years ended September 30, 2019 and 2018, respectively.

NOTE O - SUBSEQUENT EVENTS

The Institute evaluated its September 30, 2019 consolidated financial statements for subsequent events through March 30, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Institute is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The Institute's consolidated financial statements do not include adjustments to fair value that have resulted from these declines.

The Institute is not aware of any other subsequent events which would require recognition or disclosure in the consolidated financial statements.