Consolidated Financial Statements and Report of Independent Certified Public Accountants

World Resources Institute and Subsidiary

September 30, 2009 and 2008

World Resources Institute and Subsidiary

Contents

Grant Thornton

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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, 2009 and 2008, and the related consolidated statements of activities, and changes in net assets, and the 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 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, 2009 and 2008, and the consolidated changes in its net assets and its consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2009, 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.

Grant Thornton LLP

McLean, Virginia
December 15, 2009

World Resources Institute and Subsidiary

Consolidated Statements of Financial Position

Year ended September 30,	2009	2008
Assets		
Cash and cash equivalents	$ 1,019,836	$ 1,384,456
Cash restricted–held for others (Note H)	1,488,865	1,470,950
Total cash and cash equivalents	2,508,701	2,855,406
Grants, pledges and contracts receivable, net of allowance for doubtful accounts of $124,260 and $89,893 for 2009 and 2008, respectively (Note C)	13,981,372	13,041,752
Investments (Note B)	35,017,435	36,342,779
Other assets	538,936	644,806
Furniture, fixtures, software, and equipment, net (Note D)	1,177,216	1,294,912
Total Assets	53,223,660	54,179,655
Liabilities and Net Assets		
Liabilities		
Accounts payable	1,266,879	1,304,325
Accrued salaries and benefits	710,148	841,873
Notes payable (Note G)	—	2,000,000
Accrued interest on notes payable	—	12,018
Obligation under capital leases (Note E)	34,973	83,118
Deferred rent	231,048	259,184
Deferred revenue	63,208	410,421
Funds held for others	1,488,865	1,470,950
Total Liabilities	3,795,121	6,381,889
Net Assets		
Unrestricted:		
Operating	109,105	136,956
Designated–working capital reserve	2,443,320	2,488,142
Designated–other	—	4,737,112
	2,552,425	7,362,210
Temporarily restricted	21,538,348	15,097,790
Permanently restricted	25,337,766	25,337,766
Total Net Assets	49,428,539	47,797,766
Total Liabilities and Net Assets	$ 53,223,660	$ 54,179,655

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, 2009

	Unrestricted					
	Operating	Designated	Total	Temporarily Restricted	Permanently Restricted	Total
Revenues						
Grants/contributions and contracts	$ 13,690,080	$ —	$ 13,690,080	$ 13,973,604	$ —	$ 27,663,684
Federal grants and cooperative agreements	2,542,707	—	2,542,707	—	—	2,542,707
Investment return, net (Note B)	1,860	(44,822)	(42,962)	(609,863)	—	(652,825)
Publications	9,563	—	9,563	—	—	9,563
Other	8,799	—	8,799	—	—	8,799
Support from endowment income	1,869,320	—	1,869,320	(1,869,320)	—	—
Net assets released from program restrictions	9,790,975	—	9,790,975	(9,790,975)	—	—
Total Revenue	27,913,304	(44,822)	27,868,482	1,703,446	—	29,571,928
Expenses						
Policy research, technical support, and communications programs	23,452,089	—	23,452,089	—	—	23,452,089
Administration	2,498,386	—	2,498,386	—	—	2,498,386
Development	1,990,680	—	1,990,680	—	—	1,990,680
Total Expenses	27,941,155	—	27,941,155	—	—	27,941,155
Change in Net Assets	(27,851)	(44,822)	(72,673)	1,703,446	—	1,630,773
Net Assets, beginning of year	136,956	7,225,254	7,362,210	15,097,790	25,337,766	47,797,766
Net assets reclassification based on change in law	—	(4,737,112)	(4,737,112)	4,737,112	—	—
Net Assets, end of year	$ 109,105	$ 2,443,320	$ 2,552,425	$ 21,538,348	$ 25,337,766	$ 49,428,539

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, 2008

	Unrestricted					
	Operating	Designated	Total	Temporarily Restricted	Permanently Restricted	Total
Revenues						
Grants/contributions and contracts	$ 10,742,232	$ —	$ 10,742,232	$ 8,096,398	$ —	$ 18,838,630
Federal grants and cooperative agreements	3,155,579	—	3,155,579	—	—	3,155,579
Investment return, net (Note B)	38,551	(9,421,521)	(9,382,970)	—	(12,234)	(9,395,204)
Support from endowment income	2,813,231	(2,813,231)	—	—	—	—
Publications	38,550	—	38,550	—	—	38,550
Other	27,739	—	27,739	—	—	27,739
Net assets released from program restrictions	9,612,734	—	9,612,734	(9,612,734)	—	—
Total Revenue	26,428,616	(12,234,752)	14,193,864	(1,516,336)	(12,234)	12,665,294
Expenses						
Policy research, technical support, and communications programs	21,785,206	—	21,785,206	—	—	21,785,206
Administration	2,600,626	—	2,600,626	—	—	2,600,626
Development	2,017,458	—	2,017,458	—	—	2,017,458
Total Expenses	26,403,290	—	26,403,290	—	—	26,403,290
Change in Net Assets	25,326	(12,234,752)	(12,209,426)	(1,516,336)	(12,234)	(13,737,996)
Net Assets, beginning of year	111,630	19,460,006	19,571,636	16,614,126	25,350,000	61,535,762
Net Assets, end of year	$ 136,956	$ 7,225,254	$ 7,362,210	$ 15,097,790	$ 25,337,766	$ 47,797,766

The accompanying notes are an integral part of this statement.

World Resources Institute and Subsidiary

Consolidated Statements of Cash Flows

Year ended September 30,	2009	2008
Change in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Change in net assets	$ 1,630,773	$ (13,737,996)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	473,564	414,887
Loss from disposal of equipment	16,359	1,192
Realized loss from sale of investments	2,801,633	1,587,193
Unrealized (gain) loss on investments	(1,964,846)	8,251,750
Changes in operating assets and liabilities:		
Cash restricted - held for others	(17,915)	48,978
Grants and contracts receivable	(939,620)	1,296,915
Other assets	105,870	347,877
Accounts payable	(37,446)	(797,096)
Accrued salaries and benefits	(131,725)	322,792
Funds held for others	17,915	(48,978)
Deferred rent	(28,136)	(34,893)
Deferred revenue	(347,213)	235,359
Accrued interest on line-of-credit	(12,018)	12,018
Net Cash Provided by (Used in) Operating Activities	1,567,195	(2,100,002)
Cash Flows from Investing Activities		
Proceeds from sales of investments	9,364,497	14,722,912
Purchase of investments	(8,875,940)	(14,103,541)
Purchase of furniture, fixtures, and equipment	(372,227)	(921,675)
Net Cash Provided by (Used in) Investing Activities	116,330	(302,304)
Cash Flows from Financing Activities		
Borrowings on line-of-credit	—	3,000,000
Payments on line-of-credit	(2,000,000)	(1,000,000)
Payments on capital lease obligations	(48,145)	(27,561)
Net Cash (Used in) Provided by Financing Activities	(2,048,145)	1,972,439
Net Decrease in Cash and Cash Equivalents	(364,620)	(429,867)
Cash and Cash Equivalents, beginning of year	1,384,456	1,814,323
Cash and Cash Equivalents, end of year	$ 1,019,836	$ 1,384,456
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 23,898	$ 23,474

The accompanying notes are an integral part of these statements.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Principles of Consolidation

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

The Institute's work is carried out by an approximately 200-member interdisciplinary staff, strong in sciences, 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) Governance & Access, (2) People & Ecosystems , (3) Climate & Energy, and (4) Markets & Enterprise.

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.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued new guidance to establish the FASB Accounting Standards Codification (the "Codification") as the single source of authoritative nongovernmental U.S. GAAP. The Codification is effective for interim and annual periods ending after September 15, 2009. The adoption of this standard has not had a material impact on the Institute's consolidated financial statements.

In December 2008, the Financial Accounting Standards Board ("FASB") issued FASB Codification 740-10-25-6.A: Effective Date for Nonpublic Entities Regarding Provisions of Subtopic 740-10 Related to Uncertain Tax Positions which permits an entity within its scope to defer the effective date to its annual financial statements for fiscal years beginning after December 15, 2008. Accordingly, the Institute elected to defer the adoption of this guidance. The Institute evaluates its uncertain tax positions using the provisions of ASC 450, *Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. ASC 740-10 will be applicable for the Institute during fiscal year 2010. The Institute is currently in the process of evaluating the effect, if any, the adoption of this guidance will have on its results of operations, financial position, and financial disclosures.

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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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.

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.

The Institute has cash in foreign accounts totaling $19,245 and $2,883 in 2009 and 2008, respectively.

Investments

The Institute records its investments at fair market value based on quoted market prices, except for alternative investments, which are recorded at estimated values.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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.

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

To stabilize the financial markets, congress provided unlimited federal guarantees on all deposits held in non-interest bearing accounts. At September 30, 2009 and 2008, $2,266,984 and $1,392,516 respectively, were held at these institutions. The Institute has not incurred any losses on these funds.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Fair Value of Financial Instruments

Effective October 1, 2008, the Institute adopted new guidance that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 – Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the entity.

The Institute considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

NOTE B—INVESTMENTS

Investments were as follows as of September 30, 2009:

	Level 1	Level 2	Level 3	Total
Money market accounts	$ 134,090	$ —	$ —	$ 134,090
Equity securities	12,398,887	—	—	12,398,887
Debt securities	874,776	—	—	874,776
Investments in fixed income and equity hedges	—	—	21,609,682	21,609,682
	$ 13,407,753	$ —	$ 21,609,682	$ 35,017,435

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

	2009	2008
Realized losses	$ (2,801,633)	$ (1,587,193)
Unrealized gains (losses)	1,964,846	(8,251,750)
Dividends and interest	282,440	751,392
Investment management fees and foreign taxes	(98,478)	(307,653)
Total	$ (652,825)	$ (9,395,204)

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:

	2009	2008
U.S. government	4%	2%
Foundations	19%	17%
Foreign governments	24%	11%
International organizations	8%	13%
Corporations, individuals, and others	45%	57%
	100%	100%

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

	2009	2008
Less than one year	$ 11,297,574	$ 9,568,648
One to four years	2,908,924	3,780,000
Allowance for doubtful accounts	(124,260)	(89,893)
Unamortized discount on receivables	(100,867)	(217,003)
Grants, pledges, and contracts receivable, net	$ 13,981,372	$ 13,041,752

Contributions that are to be received over multiple years are discounted to present value using the risk free rate of return, for the year in which the contributions were pledged.

NOTE D—FURNITURE, FIXTURES, AND EQUIPMENT

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

	2009	2008
Furniture and equipment	$ 3,068,115	$ 2,754,413
Leasehold improvements	1,002,500	967,606
Equipment under capital lease agreements	85,562	141,552
Artwork	8,825	8,825
	4,165,002	3,872,396
Less: accumulated depreciation and amortization	(2,987,786)	(2,577,484)
Furniture, fixtures, and equipment, net	$ 1,177,216	$ 1,294,912

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:

	2009	2008
Equipment under capital lease	$ 85,562	$ 141,552
Less: accumulated amortization	(57,360)	(73,413)
Equipment under capital lease, net	$ 28,202	$ 68,139

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

September 30,	
2010	$ 21,544
2011	15,134
Total future minimum lease payments	36,678
Less: amount representing interest	(1,705)
Present value of minimum lease payments	$ 34,973

Interest expense related to the capital leases was $4,496 and $6,745 respectively, for the years ended September 30, 2009 and 2008.

NOTE F—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, 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.

The future minimum lease payments as of September 30, 2009, are as follows:

September 30,	
2010	$ 2,042,680
2011	2,054,206
2012	2,100,413
2013	2,147,660
2014 and thereafter	12,298,780
Total	$ 20,643,739

Rental expense for these leases was $2,147,654 and $1,963,196 for the years ended September 30, 2009 and 2008, respectively.

NOTE G—LOANS PAYABLE

During fiscal year 2008, the Institute obtained a margin loan of $2,000,000 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 assets held in four of the Institute's investment accounts are collateral for this loan. The balance outstanding on this loan at September 30, 2008 was $2,000,000. The Institute borrowed against the margin line rather than drawing funds from investments and realizing losses in the process. This loan was paid off in fiscal year 2009.

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 $282,838 as of September 30, 2009.

In addition, $6,027 is being held for Millennium Assessment Zayed Award, and Asian Development Bank as of September 30, 2009 as pass thru grants.

NOTE I—TEMPORARILY RESTRICTED NET ASSETS

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

	2009	2008
Embarq	$ 3,213,081	$ 5,161,073
Climate, energy, and pollution	4,381,866	2,837,798
People & Ecosystems	5,371,017	3,132,208
Institutions and governance	2,442,839	792,362
Market & Enterprise	1,691,577	960,475
Special studies	1,081,358	464,417
Communication/World Resources Report	1,098,681	1,685,691
Development	—	63,766
Unspent earnings on endowment	2,257,929	—
Total	$ 21,538,348	$ 15,097,790

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

	2009	2008
Embarq	$ 2,257,927	$ 2,361,712
Climate, Energy, and Pollution	2,388,810	2,733,287
People & Ecosystems	2,218,311	1,532,172
Institutions and Governance	785,261	1,157,154
Market & Enterprise	939,460	450,776
Special studies/Innovation	172,007	681,116
Development	60,633	60,000
Communication & World Resources Report	968,566	636,517
Total	$ 9,790,975	$ 9,612,734

NOTE J—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.

In 2003 and 2007, two individuals contributed $100,000 and $250,000 respectively for the purpose of creating endowment funds to enable the Institute to hire interns. Investment earnings from the endowment funds are recognized as unrestricted designated revenue and used to pay for interns.

Interpretation of Relevant Law

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

Endowment Investment Policies

The Institute's investments are managed in accordance with the Board adopted Investment Policy Statement. The investment strategy of the the Institute is to emphasize total return; that is, the aggregate returns from capital appreciation and dividend and interest income.

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

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

NOTE J—PERMANENTLY RESTRICTED NET ASSETS—Continued

Endowment Investment Policies—Continued

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

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

The investment allocation is shown in footnote B.

Endowment Spending Policy

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

During 2009, $1,869,320 of these earnings were transferred from temporarily restricted to unrestricted operating net assets in accordance with the policy statement referred to above.

Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor restricted endowment funds may fall below the level that the donor requires the Institute to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of September 30, 2009, $871,234 of deficiencies were reported in temporarily restricted net assets.

Endowment Net Asset Composition by Type of Fund as of September 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 2,443,320	$ 2,257,929	$ 25,337,766	$ 30,039,015

NOTE J—PERMANENTLY RESTRICTED NET ASSETS—Continued

Changes in Endowment Net Assets for the Year Ended September 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 7,225,254	$ —	$ 25,337,766	$ 32,563,020
Net asset reclassification based on change in law	(4,737,112)	4,737,112	—	—
Endowment net assets beginning of year after reclassification	2,488,142	4,737,112	25,337,766	32,563,020
Investment return				
Investment income	19,209	261,371	—	280,580
Net appreciation (realized and unrealized)	(64,031)	(871,234)	—	(935,265)
Total investment return	(44,822)	(609,863)	—	(654,685)
Appropriation of endowment assets for expenditure	—	(1,869,320)	—	(1,869,320)
Endowment net assets, end of year	$ 2,443,320	$ 2,257,929	$ 25,337,766	$ 30,039,015

NOTE K—SHORT FALL IN RESTRICTED NET ASSETS

The Institute's temporarily and permanently restricted net assets were under funded by approximately $7.1 million dollars at September 30, 2009. The shortfall is due to unrealized losses on investments and long term contributions not yet received. The Institute believes that unrealized losses on investments are temporary in nature and the Organization will collect its multi-year contributions to meet its restrictions when they are released.

NOTE L—SIGNIFICANT CONTRACTS

The Institute was awarded a four-year $4,900,000 grant on December 11, 2008, 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*. WRI has received $2,100,000 as of September 30, 2009. A total of $2,005,664 of this grant has been spent as of September 30, 2009.

The Institute initiates and completes a substantial portion of its projects within the Institutions & Governance and People & Ecosystems Programs pursuant to couple of cooperative agreements from the U.S. Agency for International Development. The revenue pursuant to these cooperative agreements was $1,713,415 and $2,379,276 for the years ended September 30, 2009 and 2008, respectively. Such revenue accounted for approximately 5.67 percent and 10.9 percent of total federal and non-federal grants, contributions, and cooperative agreement revenues during the years ended September 30, 2009 and 2008, respectively.

NOTE M—EMPLOYEE BENEFITS

The Institute contributes either 5 percent or 8 percent (based on years of service) of eligible employees' annual earnings, as defined in Plan agreements under a defined contribution plan. The amount contributed to the Plan for the years ended September 30, 2009 and 2008, was $752,865 and $670,352, respectively.

NOTE N—SUBSEQUENT EVENTS

In May 2009, the Financial Accounting Standards Board issued new guidance to incorporate the accounting and disclosure requirements for subsequent events into U.S. generally accepted accounting principles. The guidance introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance-sheet date. The Institute adopted this guidance as of September 30, 2009.

The Institute evaluated its September 30, 2009 financial statements for subsequent events through December 15, 2009, the date the financial statements were available to be issued. The Institute is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

Supplemental Information

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Report of Independent Certified Public Accountants on Supplemental Information

Board of Directors
World Resources Institute and Subsidiary

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplemental information on pages 24-25 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Grant Thornton LLP

McLean, Virginia
December 15, 2009

World Resources Institute and Subsidiary

Schedule of Functional Expenses

Year ended September 30, 2009

	Climate, Energy and Pollution	People & Ecosystems	Embarq	Institutions and Governance	Markets and Enterprise	Special Studies/ Innovations	External Relations	Total Program Expenses	Administration	Development Including Capital Campaign	Total Expenses
Salaries	$ 2,974,379	$ 1,869,094	$ 1,073,502	$ 1,105,538	$ 874,444	$ 115,324	$ 924,199	$ 8,936,480	$ 1,368,899	$ 1,074,518	$ 11,379,897
Fringe Benefits	814,557	514,588	301,551	309,255	232,415	25,960	256,678	2,455,004	385,160	300,432	3,140,596
Research Expenses	363,075	375,746	301,851	56,950	43,211	87,088	15,498	1,243,419	1,278	1,000	1,245,697
Conference Expenses	174,434	40,130	27,713	92,564	47,368	14,909	15,415	412,533	14,733	11,641	438,907
Publication Expenses	178,530	173,966	48,136	92,755	64,267	13,410	183,189	754,253	24,269	78,598	857,120
Communication Expenses	50,110	852	4,024	13,281	55	18,524	133,925	220,771	—	—	220,771
Travel	360,708	247,792	187,721	167,464	82,664	44,475	38,791	1,129,615	122,711	88,172	1,340,498
Other Direct Costs	80,880	62,741	116,760	27,362	15,499	149,031	12,446	464,719	581,336	49,106	1,095,161
Subgrants	318,133	1,447,920	463,545	1,262,498	316,333	—	146,291	3,954,720	—	—	3,954,720
Rent	623,169	409,683	257,073	232,618	169,605	58,457	197,070	1,947,675	—	199,979	2,147,654
Library and Information Services	38,057	25,020	15,700	14,206	10,358	3,570	12,035	118,946	—	12,213	131,159
Indirect Salaries	114,293	75,138	47,149	42,663	31,106	10,721	36,144	357,214	—	36,677	393,891
Indirect Benefits	31,278	20,563	12,903	11,676	8,513	2,934	9,891	97,758	—	10,037	107,795
Subgrant Pool Salaries	6,845	31,154	9,974	27,165	6,806	—	3,148	85,092	—	—	85,092
Subgrant Pool Benefits	1,947	8,862	2,837	7,727	1,936	—	895	24,204	—	—	24,204
Supplies and Materials	22,202	14,596	9,159	8,288	6,043	2,083	7,021	69,392	—	7,125	76,517
Postage	(63)	(41)	(26)	(24)	(17)	(6)	(20)	(197)	—	(20)	(217)
Telephone and Cables	53,476	35,156	22,060	19,962	14,554	5,016	16,911	167,135	—	17,161	184,296
Equipment Rental and Maintenance	178,887	117,604	73,796	66,775	48,687	16,781	56,571	559,101	—	57,406	616,507
Other Indirect	11,368	7,474	4,690	4,244	3,094	1,066	3,650	35,586	—	3,648	39,234
Depreciation	133,955	88,065	55,260	50,003	36,458	12,566	42,362	418,669	—	42,987	461,656
Total Expenses	6,530,220	5,566,103	3,035,378	3,612,970	2,013,399	581,909	2,112,110	23,452,089	2,498,386	1,990,680	27,941,155
Allocation of administration costs	724,938	476,588	299,056	270,606	197,303	68,004	229,253	2,265,749	(2,498,386)	232,637	—
Total Expenses After G&A Allocations	$ 7,255,158	$ 6,042,691	$ 3,334,434	$ 3,883,576	$ 2,210,702	$ 649,913	$ 2,341,363	$ 25,717,838	$ —	$ 2,223,317	$ 27,941,155

World Resources Institute and Subsidiary

Schedule of Functional Expenses

Year ended September 30, 2008

	Climate, Energy and Pollution	People & Ecosystems	Embarq	Institutions and Governance	Markets and Enterprise	Special Studies/ Innovations	External Relations	Total Program Expenses	Administration	Development Including Capital Campaign	Total Expenses
Salaries	$ 2,403,048	$ 1,730,728	$ 943,386	$ 941,804	$ 886,735	$ 122,758	$ 887,852	$ 7,916,311	$ 1,400,404	$ 1,019,351	$ 10,336,066
Fringe Benefits	722,415	517,116	288,926	283,543	262,192	36,509	259,318	2,370,019	425,358	306,120	3,101,497
Research Expenses	274,185	384,673	706,494	87,694	178,953	29,468	195,283	1,856,750	8,554	4,882	1,870,186
Conference Expenses	167,430	49,586	80,292	29,450	34,985	3,224	20,794	385,761	24,668	85,470	495,899
Publication Expenses	119,215	270,893	103,092	142,609	44,041	10,117	234,996	924,963	25,181	76,228	1,026,372
Communication Expenses	184	10,096	40,504	3,273	(15,000)	23,199	62,721	124,977	—	25	125,002
Travel	370,601	261,777	237,465	104,089	134,798	17,859	19,437	1,146,026	109,963	88,225	1,344,214
Other Direct Costs	90,614	43,515	45,668	21,014	17,915	200,706	13,849	433,281	606,498	50,697	1,090,476
Subgrants	109,400	848,657	849,793	786,475	434,123	—	7,000	3,035,448	—	—	3,035,448
Rent	485,001	382,182	285,997	188,668	180,617	51,900	198,114	1,772,479	—	190,717	1,963,196
Library and Information Services	30,140	23,751	17,773	11,725	11,224	3,225	12,312	110,150	—	11,852	122,002
Indirect Salaries	93,597	73,755	55,193	36,410	34,856	10,016	38,233	342,060	—	36,805	378,865
Indirect Benefits	27,304	21,516	16,100	10,621	10,168	2,922	11,153	99,784	—	10,737	110,521
Subgrant Pool Salaries	20,266	15,969	11,950	7,884	7,547	2,168	8,278	74,062	—	7,969	82,031
Subgrant Pool Benefits	6,220	4,902	3,668	2,420	2,316	666	2,541	22,733	—	2,446	25,179
Supplies and Materials	20,797	16,388	12,264	8,090	7,745	2,225	8,495	76,004	—	8,178	84,182
Postage	147	116	86	57	55	16	60	537	—	58	595
Telephone and Cables	35,661	28,101	21,029	13,872	13,280	3,816	14,567	130,326	—	14,023	144,349
Equipment Rental and Maintenance	146,696	115,596	86,504	57,066	54,630	15,698	59,922	536,112	—	57,685	593,797
Other Indirect	16,650	13,120	9,818	6,477	6,201	1,782	6,801	60,849	—	6,547	67,396
Depreciation	100,305	79,040	59,148	39,019	37,354	10,734	40,974	366,574	—	39,443	406,017
Total Expenses	5,239,876	4,891,477	3,875,150	2,782,260	2,344,735	549,008	2,102,700	21,785,206	2,600,626	2,017,458	26,403,290
Allocation of administration costs	642,476	506,272	378,858	249,927	239,261	68,751	262,439	2,347,985	(2,600,626)	252,641	—
Total Expenses After G&A Allocations	$ 5,882,352	$ 5,397,749	$ 4,254,008	$ 3,032,187	$ 2,583,996	$ 617,759	$ 2,365,139	$ 24,133,191	$ —	$ 2,270,099	$ 26,403,290