Grant Thornton

Consolidated Financial Statements and Independent Auditor's Report and Reports in Compliance with OMB Circular A-133

World Resources Institute and Subsidiary

September 30, 2011 and 2010

World Resources Institute and Subsidiary

Contents

Grant Thornton

Report of Independent Certified Public Accountants

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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, 2011 and 2010, and the related consolidated statements of activities and changes in net assets, and consolidated cash flows for the years then ended. These consolidated financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Institute as of September 30, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 6, 2012 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 effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. The accompanying supplemental schedules on pages 36–42 are also presented for purposes of additional analysis, and are 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 basic consolidated financial statements taken as a whole.

Grant Thornton LLP

McLean, Virginia
February 6, 2012

World Resources Institute and Subsidiary

Consolidated Statements of Financial Position

Year ended September 30,	2011	2010
Assets		
Cash and cash equivalents	$ 3,078,140	$ 2,551,049
Cash restricted–held for others (Note H)	18,677	20,280
Total cash and cash equivalents	3,096,817	2,571,329
Grants, pledges and contracts receivable, net (Note D)	25,149,178	16,342,077
Investments (Note B)	34,914,357	37,118,015
Other assets	608,433	606,441
Furniture, fixtures, leases, and equipment, net (Note E)	1,455,786	1,167,495
Total Assets	65,224,571	57,805,357
Liabilities and Net Assets		
Liabilities		
Accounts payable	2,263,867	2,076,453
Accrued salaries and benefits	1,574,068	1,205,593
Obligation under capital leases (Note F)	22,618	35,705
Deferred rent	181,538	206,293
Deferred revenue	306,424	825,983
Funds held for others	18,677	20,280
Note payable	955,532	—
Total Liabilities	5,322,724	4,370,307
Net Assets		
Unrestricted:		
Operating	836,645	508,797
Designated–working capital reserve	2,627,607	2,627,607
	3,464,252	3,136,404
Temporarily restricted	31,099,829	24,960,880
Permanently restricted	25,337,766	25,337,766
Total Net Assets	59,901,847	53,435,050
Total Liabilities and Net Assets	$ 65,224,571	$ 57,805,357

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, 2011

	Unrestricted					
	Operating	**Designated**	**Total**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Revenues						
Grants/contributions and contracts	$ 18,014,147	$ —	$ 18,014,147	$ 25,075,965	$ —	$ 43,090,112
Federal grants and cooperative agreements	4,361,831	—	4,361,831	—	—	4,361,831
Investment return, net (Note B)	—	—	—	(589,847)	—	(589,847)
Publications	4,026	—	4,026	—	—	4,026
Other	23,185	—	23,185	—	—	23,185
Support from endowment income	2,213,309	—	2,213,309	(2,213,309)	—	—
Net assets released from program restrictions	16,133,860	—	16,133,860	(16,133,860)	—	—
Total Revenue	40,750,358	—	40,750,358	6,138,949	—	46,889,307
Expenses						
Policy research, technical support, and communications programs	34,831,173	—	34,831,173	—	—	34,831,173
Administration	3,597,694	—	3,597,694	—	—	3,597,694
Development	1,993,643	—	1,993,643	—	—	1,993,643
Total Expenses	40,422,510	—	40,422,510	—	—	40,422,510
Change in Net Assets from Operations	327,848	—	327,848	6,138,949	—	6,466,797
Net Assets, beginning of year	508,797	2,627,607	3,136,404	24,960,880	25,337,766	53,435,050
Net Assets, end of year	$ 836,645	$ 2,627,607	$ 3,464,252	$ 31,099,829	$ 25,337,766	$ 59,901,847

The accompanying notes are an integral part of this statement.

World Resources Institute and Subsidiary

Consolidated Statements of Activities and Changes in Net Assets

Year ended September 30, 2010

	Unrestricted					
	Operating	Designated	Total	Temporarily Restricted	Permanently Restricted	Total
Revenues						
Grants/contributions and contracts	$ 17,595,655	$ —	$ 17,595,655	$ 16,882,290	$ —	$ 34,477,945
Federal grants and cooperative agreements	4,397,908	—	4,397,908	—	—	4,397,908
Investment return, net (Note B)	—	184,287	184,287	2,382,014	—	2,566,301
Publications	7,277	—	7,277	—	—	7,277
Other	(66,971)	—	(66,971)	—	—	(66,971)
Support from endowment income	1,379,407	—	1,379,407	(1,379,407)	—	—
Net assets released from program restrictions	14,062,365	—	14,062,365	(14,062,365)	—	—
Total Revenue	37,375,641	184,287	37,559,928	3,822,532	—	41,382,460
Expenses						
Policy research, technical support, and communications programs	31,471,899	—	31,471,899	—	—	31,471,899
Administration	3,570,559	—	3,570,559	—	—	3,570,559
Development	2,333,491	—	2,333,491	—	—	2,333,491
Total Expenses	37,375,949	—	37,375,949	—	—	37,375,949
Change in Net Assets from Operations	(308)	184,287	183,979	3,822,532	—	4,006,511
Non Operating Activity						
Amounts returned to donors	400,000	—	400,000	(400,000)	—	—
Net Assets, beginning of year	109,105	2,443,320	2,552,425	21,538,348	25,337,766	49,428,539
Net Assets, end of year	$ 508,797	$ 2,627,607	$ 3,136,404	$ 24,960,880	$ 25,337,766	$ 53,435,050

The accompanying notes are an integral part of this statement.

World Resources Institute and Subsidiary

Consolidated Statements of Cash Flows

Year ended September 30,	2011	2010
Cash Flows from Operating Activities		
Change in net assets	$ 6,466,797	$ 4,006,511
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	502,999	447,870
Loss from disposal of equipment	1,276	70,552
Realized gain from sale of investments	(2,177,210)	(974,032)
Unrealized loss (gain) on investments	3,079,367	(1,234,961)
Changes in operating assets and liabilities:		
Cash restricted – held for others	1,603	1,468,585
Grants and contracts receivable	(8,807,101)	(2,360,705)
Other assets	(1,993)	(67,505)
Accounts payable	187,415	809,574
Accrued salaries and benefits	368,475	495,445
Funds held for others	(1,603)	(1,468,585)
Deferred rent	(24,755)	(24,755)
Deferred revenue	(519,559)	762,775
Net Cash (Used in) Provided by Operating Activities	(924,289)	1,930,769
Cash Flows from Investing Activities		
Proceeds from sales of investments	2,725,629	18,576,934
Purchase of investments	(1,424,128)	(18,468,521)
Purchase of furniture, fixtures, and equipment	(792,566)	(471,030)
Net Cash Provided by (Used in) Investing Activities	508,935	(362,617)
Cash Flows from Financing Activities		
Borrowings on note payable	2,000,000	—
Payments on note payable	(1,044,468)	—
Payments on capital lease obligations	(13,087)	(36,939)
Net Cash Provided by (Used in) Financing Activities	942,445	(36,939)
Net Increase in Cash and Cash Equivalents	527,091	1,531,213
Cash and Cash Equivalents, beginning of year	2,551,049	1,019,836
Cash and Cash Equivalents, end of year	$ 3,078,140	$ 2,551,049
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 3,300	$ 5,236
Non Cash Investing and Financing Activities		
Equipment acquired under capital lease	$ —	$ (37,671)
Capital lease obligation	—	37,671

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.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

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

Operating–Unrestricted revenues and operating expenses of the Institute. Current investment earnings are available to support current operations.

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

Designated–Other–Amounts designated by the Board of Directors to be used in a manner similar to an endowment. No amounts have been designated to this category as of September 30, 2011 and 2010.

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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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 except for cash and cash equivalents held in investment accounts

The Institute has cash in foreign accounts totaling $179,977 and $61,880 in 2011 and 2010, respectively.

Investments

The Institute records investments that qualify as securities as defined in FASB Accounting Standards Codification™ (ASC) 320, *Investments – Debt and Equity Securities* at fair value. Gains and losses on investments, realized and unrealized, are recorded as of trade date.

The Institute's cash and money market accounts held in its investment portfolio are carried at amortized cost. These investments do not qualify as securities as defined in ASC 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Fair Value—Continued

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.

Equity Securities

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

Debt Securities

When quoted prices are available in an active market, debt securities are classified within Level 1 of the fair value hierarchy. Quoted prices in inactive markets are classified within Level 2. As of September 30, 2011 and 2010, all debt securities were valued using quoted prices in an active market.

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 net asset value (NAV) per share as a practical expedient. The investments, which are redeemable at or near year-end at NAV per share, are classified within Level 2 of the fair value hierarchy; otherwise, they are classified within Level 3 of the fair value hierarchy.

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 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. 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.

Note Payable

The Institute took a margin loan of $2 million against its investments in May 2011. As of September 30, 2011 the unpaid portion of this loan amounted to $955,532.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Costs Subject to Audit

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

Use of Estimates

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

Concentration of Credit Risk

To stabilize the financial markets, congress provided unlimited federal guarantees on all deposits held in non-interest bearing accounts. This guarantee expired on December 31, 2009. As a result, the Institute moved $3,000,000 to a secure savings account at Merrill Lynch. The balance in the secure savings account on September 30, 2011 was $1,783,808. The Institute has not incurred any losses on these funds.

Income Tax

The Institute has adopted guidance issued by the Financial Accounting Standards Board (FASB) which 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 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. Prior to this pronouncement, the determination of when to record a liability for a tax exposure was based on whether a liability was considered probable and reasonably estimable in accordance with guidance concerning recording contingencies.

Impact of Recent Accounting Standards/Pronouncements

Effective for the year ended September 30, 2011, the Institute adopted new guidance that creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in its financial statements. Under the 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. The impact of the adoption of this guidance did not have a material effect on the financial statements of the Institute. Prior to the adoption of this guidance, the determination of when to record a liability for a tax exposure was based on whether a liability was considered probable and reasonably estimable in accordance with guidance concerning recording contingencies.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Impact of Recent Accounting Standards/Pronouncements—Continued

In January 2010, the FASB issued guidance that clarifies existing disclosures and requires new disclosures about fair value measurements. The clarifications and the requirement to disclose the amounts and reasons for significant transfers between Level 1 and Level 2 and significant transfers into and out of Level 3 of the fair value hierarchy are effective for periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which is effective for fiscal years beginning after December 31, 2010. This guidance which only affected disclosures and does not impact the Institute's financial statements, was partially adopted for the year ended September 30, 2011. Adoption of the expanded disclosure requirements for Level 3 activity will not impact the Institute's financial statements when adopted.

NOTE B—INVESTMENTS

Investments were as follows as of September 30:

	2011	2010
Equity securities	$ 10,499,112	$ 11,792,538
Debt securities	2,700,033	1,675,773
Alternative investments		
Hedge funds	13,786,341	13,771,960
Fixed income fund	1,119,013	1,075,714
Emerging market fund	1,846,791	2,220,156
Real estate fund	4,895,413	4,952,724
Subtotal	$ 34,846,703	$ 35,488,865
Money market funds	67,654	1,629,150
	$ 34,914,357	$ 37,118,015

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

	2011	2010
Realized gains	$ 2,177,210	$ 974,032
Unrealized (loss) gains	(3,079,367)	1,234,961
Dividends and interest	422,812	505,839
Investment management fees and foreign taxes	(110,352)	(148,531)
Total	$ (589,847)	$ 2,566,301

NOTE C—FAIR VALUE

The following table summarizes the valuation of financial instruments at fair value on a recurring basis in the Statement of Financial Position at September 30, 2011.

	Level 1	Level 2	Level 3	Total
Equity securities	$ 10,499,112	$ —	$ —	$ 10,499,113
Debt securities	2,700,033	—	—	2,700,033
Alternative investments:				
Directional/absolute hedge funds	—	—	13,786,341	13,786,341
Inflation hedge fund	—	4,895,413	—	4,895,413
Fixed income fund	—	—	1,119,013	1,119,013
Emerging market fund	—	—	1,846,791	1,846,791
	$ 13,199,145	$ 4,895,413	$ 16,752,145	$ 34,846,703

The following table summarizes the valuation of financial instruments at fair value on a recurring basis in the Statement of Financial Position at September 30, 2010.

	Level 1	Level 2	Level 3	Total
Equity securities	$ 11,792,538	$ —	$ —	$ 11,792,538
Debt securities	1,675,773	—	—	1,675,773
Alternative investments:				
Directional/absolute hedge funds	—	—	13,771,960	13,771,960
Inflation hedge fund	—	—	4,952,724	4,952,724
Fixed income fund	—	—	1,075,714	1,075,714
Emerging market fund	—	—	2,220,156	2,220,156
	$ 13,468,311	$ —	$ 22,020,554	$ 35,488,865

NOTE C—FAIR VALUE—Continued

The following table summarizes the changes in fair value of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2011.

	Beginning Balance at 10/1/10	Total Realized/ Unrealized Gains	Purchases, Issuances, and Sales (Net)	Transfers Out to Level 2	Ending Balance at 9/30/11
Hedge funds	$ 13,771,960	$ 482,264	$ (467,883)	$ —	$ 13,786,341
Inflation hedge fund	4,952,724	(57,311)	—	(4,895,413)	—
Fixed income fund	1,075,714	43,299	—	—	1,119,013
Emerging market fund	2,220,156	(373,365)	—	—	1,846,791
	$ 22,020,554	$ 948,887	$ (467,883)	$ (4,895,413)	$ 16,752,145

The following table summarizes the changes in fair value of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended September 30, 2010, including the additional requirement to classify securities by major category defined as the major security type classifications within ASC 320.

	Beginning Balance at 10/1/09	Total Realized/ Unrealized Gains	Purchases, Issuances, and Sales (Net)	Ending Balance at 9/30/10
Hedge funds	$ 15,081,810	$ 697,191	$ (2,007,041)	$ 13,771,960
Inflation hedge fund	—	266,147	4,686,577	4,952,724
Emerging market fund	2,100,524	366,200	(246,548)	2,220,156
Equity fund	4,427,348	344,866	(4,772,214)	—
	$ 21,609,682	$ 1,440,162	$ (9,277,884)	$ 22,020,554

NOTE C—FAIR VALUE—Continued

The table below presents additional information for the Institute's investments, as of September 30, 2011, whose fair value is estimated using the practical expedient of reported net asset value (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.

	Fair Value 9/30/2011	Fair Value at 9/30/2010	Unfunded Commitments	Expected Liquidation Term	Redemption Terms	Redemption Restrictions	Redemption Restrictions at 9/30/11
Hedge funds (a)	$ 13,786,341	$ 13,771,960	None	Not applicable	Annually (1 fund), Quarterly (3 funds), and Closed for Redemption (1 fund)	Between 60 - 105 days notice (3 funds) and Gated (2 funds)	2 funds are Gated
Inflation hedge fund (b)	—	4,952,724	None	Not applicable	Monthly	None	None
Fixed income fund (c)	1,119,013	1,075,714	None	Not applicable	Monthly	15 days notice	None
Emerging market fund (d)	1,846,791	2,220,156	None	Not applicable	Monthly	30 days notice	None
	$ 16,752,145	$ 22,020,554					

(a) This class includes several 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 funds that invest primarily in international bonds. The fair values of these investments have been estimated using the NAV per share of the funds.

(c) This class includes investments in funds that invest primarily in equity stock and debt securities in emerging economies. The fair values of the investments have been estimated using the NAV per share of the fund.

(d) This class includes an investment in an inflation hedge fund whose objective is long-term total return in excess of a customized blended benchmark. The fair value of this investment has been estimated using the NAV per share of the fund.

NOTE D—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:

	2011	2010
U.S. government	4%	4%
Foundations	10%	38%
Foreign governments	37%	20%
International organizations	4%	17%
Corporations, individuals, and others	45%	21%
	100%	100%

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

	2011	2010
Less than one year	$ 21,771,061	$ 14,395,141
One to five years	3,656,182	2,168,864
Allowance for doubtful accounts	(204,062)	(156,973)
Unamortized discount on receivables	(74,003)	(64,955)
Grants, pledges, and contracts receivable, net	$ 25,149,178	$ 16,342,077

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. Allowance for doubtful accounts is based on the largest write-off as a percentage of revenue over the last 10 years.

NOTE E—FURNITURE, FIXTURES, LEASES AND EQUIPMENT

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

	2011	2010
Furniture and equipment	$ 4,053,420	$ 3,403,404
Leasehold improvements	1,188,944	1,033,171
Equipment under capital lease agreements	108,734	123,233
Artwork	8,825	8,825
	5,359,923	4,568,633
Less: accumulated depreciation and amortization	(3,904,137)	(3,401,138)
Furniture, fixtures, and equipment, net	$ 1,455,786	$ 1,167,495

NOTE F—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:

	2011	2010
Equipment under capital lease	$ 108,733	$ 123,233
Less: accumulated amortization	(78,313)	(69,115)
Equipment under capital lease, net	$ 30,420	$ 54,118

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,	
2012	$ 6,928
2013	6,928
2014	6,928
2015	3,463
Total future minimum lease payments	24,267
Less: amount representing interest	(1,629)
Present value of minimum lease payments	$ 22,618

Interest expense related to the capital leases was $3,300 and $5,236 respectively, for the years ended September 30, 2011 and 2010.

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, 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, 2011, are as follows:

September 30,		
2012	$	2,704,931
2013		2,727,286
2014		2,714,894
2015		2,775,971
2016		2,838,420
2016 and thereafter		6,879,749
Total	$	20,641,251

Rental expense for these leases was $2,590,666 and $2,219,540 for the years ended September 30, 2011 and 2010, respectively.

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. The funds were returned in July 2010 per the request of ACTS' Board of Directors.

As of September 30, 2011, the Institute held $18,677 of pass-through funding for another Organization.

NOTE I—TEMPORARILY RESTRICTED NET ASSETS

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

	2011	2010
Embarq	$ 3,087,497	$ 9,349,498
Climate, energy, and pollution	3,087,987	2,244,746
People & Ecosystems	6,492,485	4,695,460
Institutions and governance	2,451,180	3,514,231
Market & Enterprise	1,965,056	657,636
Special studies	13,514,645	764,045
Communication/World Resources Report	500,979	474,728
Unspent earnings on endowment	—	3,260,536
Total	$ 31,099,829	$ 24,960,880

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

	2011	2010
Embarq	$ 7,538,723	$ 1,707,147
Climate, Energy, and Pollution	2,203,711	3,746,694
People & Ecosystems	3,143,890	3,312,206
Institutions and Governance	1,895,498	2,193,026
Market & Enterprise	661,666	1,649,167
Special studies/Innovation	300,621	832,196
Communication & World Resources Report	389,751	621,929
Total	$ 16,133,860	$ 14,062,365

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 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 Note 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 2011 and 2010, respectively, $2,213,309 and $1,379,407 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, 2011 and 2010, the Institute had no deficiencies of this nature reported in unrestricted net assets.

NOTE J—PERMANENTLY RESTRICTED NET ASSETS—Continued

Endowment Net Asset Composition by Type of Fund as of September 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 2,627,607	$ 457,380	$ 25,337,766	$ 28,422,753

Changes in Endowment Net Assets for the Year Ended September 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,627,607	$ 457,380	$ 25,337,766	$ 28,422,753
Investment return				
Investment income	—	312,310	—	312,310
Net appreciation (realized and unrealized)	—	(902,157)	—	(902,157)
Total investment return	—	(589,847)	—	(589,847)
Appropriation of endowment assets for expenditure	—	(2,213,309)	—	(2,213,309)
Endowment net assets, end of year	$ 2,627,607	$ 457,380	$ 25,337,766	$ 28,422,753

NOTE J—PERMANENTLY RESTRICTED NET ASSETS—Continued

Endowment Net Asset Composition by Type of Fund as of September 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 2,627,607	$ 3,260,536	$ 25,337,766	$ 31,225,909

Changes in Endowment Net Assets for the Year Ended September 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,443,320	$ 2,257,929	$ 25,337,766	$ 30,039,015
Investment return				
Investment income	29,411	388,354	—	417,775
Net appreciation (realized and unrealized)	154,876	1,993,660	—	2,148,536
Total investment return	184,287	2,382,014	—	2,566,301
Appropriation of endowment assets for expenditure	—	(1,379,407)	—	(1,379,407)
Endowment net assets, end of year	$ 2,627,607	$ 3,260,536	$ 25,337,766	$ 31,225,909

NOTE K—SIGNIFICANT CONTRACTS

The Institute was awarded a two-year $5,600,000 grant on October 1, 2010, by the Netherlands Ministry of Foreign Affairs awarding WRI a core funding grant for the program "Building a Low Carbon and Climate-Resilient Future". WRI has received $2,800,000 as of September 30, 2011. A total of $2,640,975 of this grant has been spent as of September 30, 2011.

The Institute was awarded a two-year 14,000,000 SEK grant in fiscal 2010, by the Swedish International Development Cooperation Agency (SIDA) awarding WRI grant support to include poverty alleviation, effective management of natural resources and protection of the environment. WRI has received $1,922,566 as of September 30, 2011. A total of $1,026,010 of this grant has been spent as of September 30, 2011.

The Institute was awarded a 4,000,000 Danish Kroner grant in fiscal 2011, by the Danish Ministry of Foreign Affairs awarding WRI a grant that will support the institute's core funding activities. WRI has received $362,976 as of September 30, 2011. A total of $288,989 of this grant has been spent as of September 30, 2011.

The Institute initiates and completes a substantial portion of its projects within the Institutions & Governance and People & Ecosystems 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 $3,677,655 and $3,410,818 for the years ended September 30, 2011 and 2010, respectively. Such revenue accounted for approximately 7.75 percent and 8.77 percent of total federal and non-federal grants, contributions, and cooperative agreement revenues during the years ended September 30, 2011 and 2010, respectively.

NOTE L—EMPLOYEE BENEFITS

The Institute contributes either 5 percent or 8 percent (based on years of service) of eligible employees' annual earnings, as defined in Plan agreements under a defined contribution plan. The amount contributed to the Plan for the years ended September 30, 2011 and 2010, was $972,496 and $849,765, respectively.

NOTE M—SUBSEQUENT EVENTS

The Institute evaluated its September 30, 2011 financial statements for subsequent events through February 6, 2012, the date the financial statements were available to be issued. In October, 2011 the donor requested that the $250,000 gift made in 2007, be reclassified from endowment to contribution to support two yearly fellowships until the funds are exhausted.

Supplemental Information

World Resources Institute and Subsidiary

Supplemental Schedule of Expenditures of Federal Awards

Year ended September 30, 2011

Federal Grantor Program Title	Federal Contract Number	Federal CFDA Number		Expenses
U.S. Agency for International Development:				
Governing Ecosystems*	EEE-A-00-02-00056-00	98.001	$	581,120
Mrkt Initiatives/Adv Clean Energy & Sustn Grn Busn Dev in India*	386-A-00-05-00199-00	98.000		
Improved Governance & Sustainable Use of Forest Resources*	623-A-00-06-00048-00	98.001		1,300,981
Forestry Legality Alliance*	EEM-A-00-09-0012-00	98.001		912,422
Pass-through from ARD, Inc.*	EPP-I-00-06-00008-00	98.000		18,754
Pass-through from ARD, Inc.*	1810-330	98.000		138,839
Pass-through from ARD, Inc.*	EPP-I-03-06-00008-00	98.000		4,340
Pass-through from ARD, Inc.*	EEP-I-03-06-00008-00	98.000		71,357
Pass-through from ISC*	486-A-09-00007	98.001		648,418
Pass-through from TNC*	AFR-WRI-0211111	98.001		1,424
Total for U.S. Agency for International Development				3,677,655
U.S. Environmental Protection Agency:				
Taking Renewable Energy to Scale*	XA-83420501-0	66.034		76,699
Product Lifecycle, Supply Chain Standards & Emissions Mgmt tools*	XA-83420601-0	66.034		59,637
Targeted Watershed Initiative	WS95438209-0	66.439		59,846
Total for U.S. Environmental Protection Agency				196,182
U.S. Department of Agriculture				
Forest and landscape restoration opportunity assessment	11-DG-11132762-271	10.684		19,756
Online Multi-state water quality trading platform	69-3A75-10-144	10.912		112,945
				132,701
U.S. Department of the Interior				
Support U.S. efforts to map & identify causes of reef degradation	CRI-WRI-2	15.000		7,534
U.S. Dept. of State				
Accelerating Clean Energy Markets in India	S-LMAQM-07-CA-337	19.000		125,525
U.S. Dept. of Energy				
Pass through from The Regents of the Univ. of CA				
L. Berkeley National Laboratory	DE-AC02-05CH11231	81.000		115,638
US-China - Advanced coal tech collaboration	10-733-WRI	81.087		106,596
				222,234
Total Federal Expenditures			$	4,361,831

*Major Program

NOTE A—BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all federal grants to the Institute that had expenditure activity during the year ended September 30, 2011. This Schedule has been prepared on the accrual basis of accounting for expenditures in accordance with accounting principles generally accepted in the United States of America. Grant revenues and expenditures are recorded for financial reporting purposes when the Institute has met the qualifications for the respective grants. Grant revenues are equivalent to grant expenditures. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations Receiving Federal Awards.*

NOTE B—SUBRECIPIENTS

Of the federal expenditures presented in this Schedule, the Institute provided federal awards to subrecipients in the following areas:

		2011
U.S. Agency for International Development: Forestry Legality Alliance	$	450,000
U.S. Agency for International Development: Governing Ecosystems		3,137
U.S. Agency for International Development: Improved Governance & Sustainable Use of Forest Resources		431,178
U.S. Agency for International Development: Pass-through from ISC		50,000
U.S. Department of Agriculture:		27,215
U.S. Department of State: Accelerating Clean Energy Markets in India		91,666
U.S. Environmental Protection Agency: Product Lifecycle, Supply Chain Standards & Emissions Mgmt tools		20,000
Total subrecipient payments	$	1,073,196

NOTE C—CATALOG OF FEDERAL DOMESTIC ASSISTANCE

Catalog of Federal Domestic Assistance (CFDA) numbers are not assigned to the U.S. Agency for International Development grants and contracts. However, because of their similarities, we have considered all such contracts as one program for determination in applying OMB Circular A-133.

Grant Thornton

Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters

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Board of Directors
World Resources Institute and Subsidiary

We have audited the financial statements of World Resources Institute and Subsidiary (the Institute) as of and for the year ended September 30, 2011, and have issued our report thereon dated February 6, 2012. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Institute's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, 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.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Institute's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Grant Thornton

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

Grant Thornton LLP

McLean, Virginia
February 6, 2012

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Report of Independent Certified Public Accountants on Compliance Related to Major Programs (OMB Circular A-133) and on Internal Control over Compliance

Board of Directors
World Resources Institute and Subsidiary

Compliance

We have audited the compliance of World Resources Institute and Subsidiary (the Institute) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended September 30, 2011. The Institute's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Institute's compliance with those requirements.

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of the Institute's internal control over compliance. Accordingly, we express no such opinion.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Institute's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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

Grant Thornton LLP

McLean, Virginia
February 6, 2012

Section I	***Summary of Auditor's Results***
Financial Statements	
1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
c. Noncompliance material to the financial statements noted?	No
Federal Awards	
1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
2. Type of auditor's report issued on compliance for major programs:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, *Section 510(a)?*	No
4. Identification of major program:	
Federal Agency / Program Title	**CFDA**
U.S. Agency for International Development	98. Various
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	
5. Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	Yes

Section II—Financial Statement Findings

None reported

Section III—Federal Award Findings and Questioned Costs

None reported

Finding 10-01

Condition: We noted errors in the Institute schedule of accounts receivable and deferred revenue that required an adjustment of approximately $529,000. We noted several wire transfers totaling approximately $104,000 included on the bank reconciliation as outstanding transactions as of year end that were not initiated until FY 2011.

Corrective Action/Status: We commissioned a consultant to write a program in Cognos 8 (our new business intelligence tool) to help us calculate the deferred revenue and resultant accounts receivable adjustment. This process was performed manually in the past which resulted in the error.

As it relates to the bank reconciliation, we actually detected this error and tried to fix it before the auditors came in. In the process of fixing it, the problem was compounded when it was fixed in the wrong accounting period. From there on, we needed technical help from Deltek (accounting software company) to fix it. The process took longer than expected. The audit had begun by the time it was corrected. There is enough documentation indicating that we had controls in place to detect the error and that the controls work. However, we acknowledge that this was an unusual and confusing issue that required additional follow through. We will continue to ensure all activity is correctly stated in the trial balance.

Finding 10-02

Program: All federal awards.

Condition: During our testing of the indirect cost pool activity of the Institute, we noted two instances of unallowable costs charged to the indirect cost pool as general and administrative cost.

Corrective Action/Status: We have separated alcohol from non-alcohol on invoices so that unallowable charges are easily identifiable to facilitate proper recording. Staff members have been notified that delivery charges for alcohol only deliveries should be charged to unallowable costs.

Supplemental Schedules

World Resources Institute and Subsidiary

Schedule of Functional Expenses

Year ended September 30, 2011

	Climate, Energy and Pollution	People & Ecosystems	Embarq Safe Urban Transport	Institutions and Governance	Markets and Enterprise	Special Studies/ Innovations	External Relations	Total Program Expenses	Administration	Development	Total Expenses
Salaries	$ 3,998,164	$ 2,994,373	$ 2,211,054	$ 1,605,915	$ 798,027	$ 316,620	$ 1,050,126	$ 12,974,279	$ 1,864,099	$ 1,148,589	$ 15,986,967
Fringe Benefits	887,041	693,326	394,681	380,870	186,255	28,124	246,252	2,816,549	429,712	276,394	3,522,655
Research Expenses	452,549	519,052	949,693	177,340	293,758	314,973	120,352	2,827,717	11,683	6,350	2,845,750
Conference Expenses	121,498	79,699	25,406	105,979	25,632	30,740	43,517	432,471	36,982	14,491	483,944
Publication Expenses	267,164	338,538	137,382	66,355	81,420	6,255	115,165	1,012,279	12,509	37,058	1,061,846
Communication Expenses	6,058	7,821	(2,359)	6,251	8,165	20,549	111,187	157,672	35	18,230	175,937
Travel	394,028	396,408	363,738	261,126	119,664	137,180	63,532	1,735,676	149,771	83,755	1,969,202
Other Direct Costs	38,149	58,105	98,509	25,979	15,431	(9,190)	19,718	246,701	1,092,903	51,706	1,391,310
Subgrants	304,008	2,198,757	3,348,242	1,175,093	416,566	—	67,369	7,510,035	—	—	7,510,035
Rent	678,091	559,589	459,578	289,271	168,114	92,975	194,678	2,442,296	—	180,018	2,622,314
Library and Information Services	35,383	29,200	23,981	15,094	8,772	4,851	10,160	127,441	—	9,393	136,834
Indirect Salaries	180,207	148,714	122,136	76,876	44,677	24,709	51,737	649,056	—	47,841	696,897
Indirect Benefits	37,240	30,732	25,240	15,886	9,233	5,106	10,691	134,128	—	9,886	144,014
Subgrant Pool Salaries	8,930	64,588	98,354	34,518	12,237	—	1,979	220,606	—	—	220,606
Subgrant Pool Benefits	2,138	15,464	23,548	8,264	2,930	—	474	52,818	—	—	52,818
Supplies and Materials	21,315	17,590	14,446	9,093	5,284	2,923	6,120	76,771	—	5,659	82,430
Postage	177	146	120	76	44	24	52	639	—	47	686
Telephone and Cables	60,865	50,228	41,251	25,965	15,090	8,345	17,476	219,220	—	16,158	235,378
Equipment Rental and Maintenance	175,505	144,834	118,949	74,870	43,511	24,064	50,387	632,120	—	46,592	678,712
Other Indirect	17,030	14,054	11,542	7,265	4,222	2,335	4,889	61,337	—	4,521	65,858
Depreciation	139,201	114,874	94,344	59,383	34,511	19,086	39,963	501,362	—	36,955	538,317
Total Expenses	7,824,741	8,476,092	8,559,835	4,421,469	2,293,543	1,029,669	2,225,824	34,831,173	3,597,694	1,993,643	40,422,510
Allocation of administration costs	930,311	767,730	630,520	396,867	230,644	127,557	267,089	3,350,718	(3,597,694)	246,976	—
Total Expenses After G&A Allocations	$ 8,755,052	$ 9,243,822	$ 9,190,355	$ 4,818,336	$ 2,524,187	$ 1,157,226	$ 2,492,913	$ 38,181,891	$ —	$ 2,240,619	$ 40,422,510

World Resources Institute and Subsidiary

Schedule of Functional Expenses

Year ended September 30, 2010

	Climate, Energy and Pollution	People & Ecosystems	Embarq Safe Urban Transport	Institutions and Governance	Markets and Enterprise	Special Studies/ Innovations	External Relations	Total Program Expenses	Administration	Development	Total Expenses
Salaries	$ 3,514,607	$ 2,512,959	$ 1,639,663	$ 1,442,253	$ 751,401	$ 70,058	$ 1,049,352	$ 10,980,293	$ 1,895,999	$ 1,153,741	$ 14,030,033
Fringe Benefits	851,565	616,827	402,844	354,099	175,530	10,879	260,388	2,672,132	455,200	291,598	3,418,930
Research Expenses	477,758	496,611	1,152,364	140,051	198,706	10,440	68,125	2,544,055	17,635	1,500	2,563,190
Conference Expenses	222,161	67,540	129,307	189,568	44,489	29,636	24,767	707,468	34,014	85,055	826,537
Publication Expenses	137,136	242,436	51,759	142,661	99,120	16,154	240,727	929,993	31,257	87,086	1,048,336
Communication Expenses	57,791	30,261	73,369	17,936	50,572	6,000	85,907	321,836	499	46,895	369,230
Travel	507,146	367,449	431,783	266,070	74,795	45,610	54,392	1,747,245	237,545	181,350	2,166,140
Other Direct Costs	49,759	44,385	62,321	33,748	19,327	13,320	6,703	229,563	898,410	56,842	1,184,815
Subgrants	497,683	2,131,705	1,864,656	1,730,680	534,194	—	39,885	6,798,803	—	—	6,798,803
Rent	585,983	441,001	397,182	260,502	142,413	20,355	180,326	2,027,762	—	191,778	2,219,540
Library and Information Services	39,800	29,953	26,977	17,693	9,673	1,383	12,248	137,727	—	13,026	150,753
Indirect Salaries	157,746	118,717	106,921	70,127	38,337	5,480	48,543	545,871	—	51,626	597,497
Indirect Benefits	35,292	26,560	23,921	15,689	8,577	1,226	10,860	122,125	—	11,550	133,675
Subgrant Pool Salaries	42,515	31,996	28,817	18,900	10,333	1,477	13,083	147,121	—	13,914	161,035
Subgrant Pool Benefits	10,870	8,180	7,367	4,832	2,642	378	3,345	37,614	—	3,557	41,171
Supplies and Materials	28,949	21,787	19,622	12,870	7,036	1,006	8,909	100,179	—	9,474	109,653
Postage	(1,166)	(878)	(791)	(519)	(283)	(41)	(359)	(4,037)	—	(382)	(4,419)
Telephone and Cables	60,019	45,169	40,681	26,682	14,587	2,085	18,470	207,693	—	19,643	227,336
Equipment Rental and Maintenance	217,360	163,581	147,327	96,628	52,825	7,550	66,888	752,159	—	71,137	823,296
Other Indirect	16,508	12,424	11,189	7,339	4,012	573	5,080	57,125	—	5,403	62,528
Depreciation	118,243	88,988	80,145	52,565	28,737	4,107	36,387	409,172	—	38,698	447,870
Total Expenses	7,627,725	7,497,651	6,697,424	4,900,374	2,267,023	247,676	2,234,026	31,471,899	3,570,559	2,333,491	37,375,949
Allocation of administration costs	942,668	709,435	638,944	419,067	229,098	32,745	290,089	3,262,046	(3,570,559)	308,513	—
Total Expenses After G&A Allocations	$ 8,570,393	$ 8,207,086	$ 7,336,368	$ 5,319,441	$ 2,496,121	$ 280,421	$ 2,524,115	$ 34,733,945	$ —	$ 2,642,004	$ 37,375,949

World Resources Institute and Subsidiary

Schedule of Indirect Cost Rate Calculation (Facility Costs)

Year ended September 30, 2011

Direct Expenses	Programs	Fundraising	Total Expenses
Salaries and Stipends	$ 13,129,415	$ 975,030	$ 14,104,445
Fringe Benefits	2,816,550	276,394	3,092,944
Research & Conference Expenses	3,260,189	20,841	3,281,030
Publications Expenses	1,012,280	37,058	1,049,338
Communications Expenses	157,672	18,230	175,902
Travel	1,735,676	83,755	1,819,431
Misc. Costs	246,701	51,706	298,407
Subgrants	7,510,035	—	7,510,035
Total direct expenses	29,868,518	1,463,014	31,331,532
Less: Costs of institutional cooperative agreements/subgrants	(7,510,035)	—	(7,510,035)
Total Allowable Direct Expenses (Allocation Base)	$ 22,358,483	$ 1,463,014	$ 23,821,497

Facility Costs	Total Facility Cost
Rent	$ 2,622,314
Salaries	696,897
Fringe Benefits	144,014
Library and Information Services	136,834
Reproduction	4,595
Supplies and Materials	82,430
Postage	686
Telephone and Cables	235,378
Equipment Rental and Maintenance	678,712
Interest/Offsite storage/Misc. Exp.	61,264
Depreciation and Amortization	538,317
Total facility costs	5,201,441
Total Allowable Facility Costs	$ 5,201,441

Calculation of Facility Cost Rate:

Total allowable facility costs/total allowable direct expenses ($5,201,441/$23,821,497)	21.84%

World Resources Institute and Subsidiary

Schedule of Fringe Benefit Rate Calculation

Year ended September 30, 2011

Fringe Benefits	Regular and Term Staff	Temporary Staff	Total Benefits
FICA	$ 1,028,203	$ 35,838	$ 1,064,041
Group health	978,028	—	978,028
Retirement	972,496	—	972,496
Unemployment	35,346	5,961	41,307
Workers' compensation	30,200	1,260	31,460
Other	632,155	—	632,155
Total allocable costs	$ 3,676,428	$ 43,059	$ 3,719,487

Regular and Term Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries	$ 11,572,688	$ 957,747	$ 591,010	$ 214,826	$ 1,753,640	$ 15,089,911
Less: excluded salaries expense*	(2,500)	—	—	—	—	(2,500)
Total allowable labor base	$ 11,570,188	$ 957,747	$ 591,010	$ 214,826	$ 1,753,640	$ 15,087,411

Calculation of fringe benefit for regular and term staff:
Total allocable costs/total allowable labor base
($3,676,428/$15,087,411) 24.37%

Temporary Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries and stipends	$ 477,640	$ 17,282	$ —	$ 5,779	$ 29,467	$ 530,168
Total allowable labor base	$ 477,640	$ 17,282	$ —	$ 5,779	$ 29,467	$ 530,168

Calculation of fringe benefit for temporary staff:
Total allocable costs/total allowable labor base
($43,059/$530,168) 8.12%

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

World Resources Institute and Subsidiary

Schedule of Indirect Cost Rate Calculation (General and Administration)

Year ended September 30, 2011

	Programs	Fundraising	Total
Allowable total direct	$ 22,358,483	$ 1,463,013	$ 23,821,496
Total allocation base for general and administrative	$ 22,358,483	$ 1,463,013	$ 23,821,496

General and Administrative Expenses	
Salaries	$ 1,864,099
Benefits	429,712
Research Expenses	11,683
Conference Expenses	36,982
Publications Expenses	12,509
Travel	149,771
Professional Services	214,722
Memberships/Fees/Dues	39,236
Recruitment/Relocation	357,165
Staff Meals/Kitchen	9,252
Training & Career Development	73,793
Postage	(2,105)
Reproduction	2,621
Miscellaneous	87,724
Non-billable unallowable	310,531
Total general and administrative expenses	3,597,695
Less: non-billable unallowable	(310,531) *
Total allowable general and administrative expenses	$ 3,287,164
Calculation of general and administrative rate:	
Total general and administrative/total allocation base for general and administrative ($3,287,164/$23,821,496)	13.80%

*Excluded unallowable expenses that are not chargeable to funders.

World Resources Institute and Subsidiary

Schedule of Indirect Cost Rate Calculation (Subgrant)

Year ended September 30, 2011

	Programs	Fundraising	Total
Total subgrant costs	$ 7,510,035	$ —	$ 7,510,035
Total allocation base for general and administrative	$ 7,510,035	$ —	$ 7,510,035
General and Administrative Expenses			
Salaries			$ 220,605
Benefits			52,817
Total general and administrative expenses			$ 273,422
Calculation of subgrant rate:			
Total subgrant costs/total allocation base for general and administrative ($273,422/$7,510,035)			3.64%

NOTE A—BASIS OF ACCOUNTING

The calculation of allocation rates is prepared in accordance with the methodologies used by the Institute in negotiating its indirect facility cost, fringe benefit, and general and administrative cost rates with its oversight agency, the U.S. Agency for International Development. Revenue is recorded using provisional approved rates. The difference between actual and provisional rates is not material to the financial statements as a whole.

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

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

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

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