Grant Thornton

Consolidated Financial Statements and Report of Independent Certified Public Accountants

World Resources Institute and Subsidiary

September 30, 2013 and 2012

World Resources Institute and Subsidiary

Contents

Report of Independent Certified Public Accountants	3–4
Consolidated Financial Statements	
Consolidated Statements of Financial Position	5
Consolidated Statements of Activities and Changes in Net Assets	6–7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9–26
Supplemental Information	
Schedule of Functional Expenses	28–29

Audit • Tax • Advisory

Grant Thornton LLP
2010 Corporate Ridge, Suite 400
McLean, VA 22102-7838

T 703.847.7500
F 703.848.9580
www.GrantThornton.com

Report of Independent Certified Public Accountants

Board of Directors
World Resources Institute and Subsidiary

Report on the financial statements

We have audited the accompanying consolidated financial statements of World Resources Institute and subsidiary (the "Institute"), which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of World Resources Institute and subsidiary as of September 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Functional Expenses for the year ended September 30, 2013 is also presented for additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 31, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

Grant Thornton LLP

McLean, Virginia
January 31, 2014

World Resources Institute and Subsidiary

Consolidated Statements of Financial Position

Year ended September 30,	2013	2012
Assets		
Cash and cash equivalents	$ 5,791,787	$ 3,650,034
Cash restricted–held for others (Note I)	93,100	101,100
Grants, pledges and contracts receivable, net (Note D)	33,384,465	30,485,518
Investments (Notes B and C)	39,240,751	36,655,471
Other assets	673,636	806,856
Furniture, fixtures, leases, and equipment, net (Note E)	1,600,999	1,316,997
Total Assets	80,784,738	73,015,976
Liabilities and Net Assets		
Liabilities		
Accounts payable	3,184,367	3,045,121
Accrued salaries and benefits	2,154,802	1,743,618
Obligation under capital leases (Note F)	10,058	16,456
Deferred rent	178,079	156,783
Deferred revenue	220,997	289,309
Funds held for others	22,171	15,687
Line-of-credit (Note H)	5,000,000	2,892,225
Total Liabilities	10,770,474	8,159,199
Net Assets		
Unrestricted:		
Operating	547,028	383,770
Designated–working capital reserve	3,214,930	3,056,328
	3,761,958	3,440,098
Temporarily restricted	41,152,306	36,078,913
Permanently restricted	25,100,000	25,337,766
Total Net Assets	70,014,264	64,856,777
Total Liabilities and Net Assets	$ 80,784,738	$ 73,015,976

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, 2013

	Unrestricted					
	Operating	**Designated**	**Total**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Revenues						
Grants/contributions and contracts	$ 20,926,563	$ —	$ 20,926,563	$ 24,928,710	$ —	$ 45,855,273
Federal grants and cooperative agreements	3,978,907	—	3,978,907	—	—	3,978,907
Investment return, net (Note B)	—	158,602	158,602	3,013,442	—	3,172,044
Publications	1,027	—	1,027	—	—	1,027
Other	25,308	—	25,308	—	—	25,308
Support from endowment income	1,891,258	—	1,891,258	(1,891,258)	—	—
Net assets released from program restrictions	21,215,267	—	21,215,267	(21,215,267)	—	—
Total Revenue	48,038,330	158,602	48,196,932	4,835,627	—	53,032,559
Expenses						
Policy research, technical support, and communications programs	41,281,318	—	41,281,318	—	—	41,281,318
Administration	4,331,860	—	4,331,860	—	—	4,331,860
Development	2,261,894	—	2,261,894	—	—	2,261,894
Total Expenses	47,875,072	—	47,875,072	—	—	47,875,072
Change in Net Assets from Operations	163,258	158,602	321,860	4,835,627	—	5,157,487
Less: Donor Releases of Permanent Restrictions	—	—	—	237,766	(237,766)	—
Net Assets, beginning of year	383,770	3,056,328	3,440,098	36,078,913	25,337,766	64,856,777
Net Assets, end of year	$ 547,028	$ 3,214,930	$ 3,761,958	$ 41,152,306	$ 25,100,000	$ 70,014,264

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, 2012

	Unrestricted					
	Operating	**Designated**	**Total**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Revenues						
Grants/contributions and contracts	$ 20,236,525	$ —	$ 20,236,525	$ 20,435,690	$ —	$ 40,672,215
Federal grants and cooperative agreements	4,389,651	—	4,389,651	—	—	4,389,651
Investment return, net (Note B)	—	428,721	428,721	3,657,574	—	4,086,295
Publications	14,765	—	14,765	—	—	14,765
Other	13,746	—	13,746	101,100	—	114,846
Support from endowment income	1,793,624	—	1,793,624	(1,793,624)	—	—
Net assets released from program restrictions	17,271,656	—	17,271,656	(17,271,656)	—	—
Total Revenue	43,719,967	428,721	44,148,688	5,129,084	—	49,277,772
Expenses						
Policy research, technical support, and communications programs	37,970,188	—	37,970,188	—	—	37,970,188
Administration	4,058,378	—	4,058,378	—	—	4,058,378
Development	2,294,276	—	2,294,276	—	—	2,294,276
Total Expenses	44,322,842	—	44,322,842	—	—	44,322,842
Change in Net Assets from Operations	(602,875)	428,721	(174,154)	5,129,084	—	4,954,930
Non Operating Activity Adjustment to Pledges Receivable	150,000	—	150,000	(150,000)	—	—
Net Assets, beginning of year	836,645	2,627,607	3,464,252	31,099,829	25,337,766	59,901,847
Net Assets, end of year	$ 383,770	$ 3,056,328	$ 3,440,098	$ 36,078,913	$ 25,337,766	$ 64,856,777

The accompanying notes are an integral part of this statement.

World Resources Institute and Subsidiary

Consolidated Statements of Cash Flows

Year ended September 30,	2013	2012
Cash Flows from Operating Activities		
Change in net assets	$ 5,157,487	$ 4,954,930
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	682,629	588,336
(Gain) loss from disposal of equipment	(12,551)	3,799
Realized gain from sale of investments	(282,840)	(374,025)
Unrealized gain on investments	(2,596,282)	(3,403,647)
Reinvested interest/dividends	(429,205)	(308,623)
Changes in operating assets and liabilities:		
Cash restricted – held for others	8,000	(82,423)
Grants and contracts receivable	(2,898,947)	(5,336,340)
Other assets	(133,220)	(198,423)
Accounts payable	139,246	781,254
Accrued salaries and benefits	411,184	169,550
Funds held for others	6,484	(2,990)
Deferred rent	21,296	(24,755)
Deferred revenue	(68,312)	(17,115)
Net Cash Provided by (Used in) Operating Activities	4,969	(3,250,472)
Cash Flows from Investing Activities		
Proceeds from sales of investments	1,583,869	4,279,090
Purchase of investments	(570,795)	(1,933,910)
Purchase of furniture, fixtures, and equipment	(977,727)	(453,345)
Net Cash Provided by Investing Activities	35,347	1,891,835
Cash Flows from Financing Activities		
Advances on line-of-credit	5,000,000	2,892,225
Payments on note payable	(2,892,225)	(955,532)
Payments on capital lease obligations	(6,338)	(6,162)
Net Cash Provided by Financing Activities	2,101,437	1,930,531
Net Increase in Cash and Cash Equivalents	2,141,753	571,894
Cash and Cash Equivalents, beginning of year	3,650,034	3,078,140
Cash and Cash Equivalents, end of year	$ 5,791,787	$ 3,650,034
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 30,350	$ 765

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 300-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 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 handle the Lee Schipper Scholarship Fund initiated by the Shell Foundation (see note I). 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, 2013 and 2012.

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 are 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

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.

Investments

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

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.

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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Use of Estimates

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

Concentration of Credit Risk

As of September 30, 2013, all interest bearing U.S. deposit accounts maintained by the Institute were insured up to $250,000 at each financial institution by the Federal Deposit Insurance Corporation. Additionally, all non-interest bearing U.S. deposit accounts were fully insured. This unlimited insurance coverage on non-interest bearing accounts expired on December 31, 2012. Beginning January 1, 2013, non-interest bearing account balances are now aggregated with any interest bearing deposits and are insured, in total, up to a maximum of $250,000. The Institute's cash balances at times, may exceed federally insured limits. However, the Institute has not experienced any losses within these accounts and therefore believes it is not exposed to any significant credit risk associated with those deposits.

The Institute has cash in foreign accounts totaling $733,629 and $565,172 in 2013 and 2012, respectively.

Income Tax

The Institute is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. No material taxable unrelated business income was generated and, accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

The Institute follows the accounting guidance that creates a single model to address uncertainty in tax positions and clarifies accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in its consolidated financial statements. Under the 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 Institute is not required to record such an obligation.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to current year presentation. These reclassifications had no effect on previously reported change in net assets or unrestricted, temporarily restricted or permanently restricted net assets.

NOTE B—INVESTMENTS

Investments were as follows as of September 30:

	2013	2012
Money market funds	$ 99,428	$ 1,171,876
Equity securities	14,440,709	11,504,517
Debt securities	1,467,558	1,466,991
Alternative investments		
Hedge funds	15,819,213	14,889,175
Fixed income fund	1,059,292	1,162,203
Emerging market fund	2,118,179	2,038,184
Real estate fund	4,236,372	4,422,525
Total investments	$ 39,240,751	$ 36,655,471

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

	2013	2012
Realized gains	$ 282,840	$ 374,025
Unrealized gains	2,596,282	3,403,647
Dividends and interest	429,205	413,759
Investment management fees and foreign taxes	(136,283)	(105,136)
Total	$ 3,172,044	$ 4,086,295

NOTE C—FAIR VALUE

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

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

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, 2013 and 2012, 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.

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, 2013.

	Level 1	Level 2	Level 3	Total
Money market funds	$ 99,427	$ —	$ —	$ 99,427
Equity securities	14,440,709	—	—	14,440,709
Debt securities	1,467,558	—	—	1,467,558
Alternative investments:				
Directional/absolute hedge funds	—	—	15,819,213	15,819,213
Inflation hedge fund	—	4,236,373	—	4,236,373
Fixed income fund	—	—	1,059,292	1,059,292
Emerging market fund	—	—	2,118,179	2,118,179
Total investments	$ 16,007,694	$ 4,236,373	$ 18,996,684	$ 39,240,751

NOTE C—FAIR VALUE—Continued

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, 2012.

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,171,876	$ —	$ —	$ 1,171,876
Equity securities	11,504,517	—	—	11,504,517
Debt securities	1,466,991	—	—	1,466,991
Alternative investments:				
Directional/absolute hedge funds	—	—	14,889,175	14,889,175
Inflation hedge fund	—	4,422,525	—	4,422,525
Fixed income fund	—	—	1,162,203	1,162,203
Emerging market fund	—	—	2,038,184	2,038,184
Total investments	$ 14,143,384	$ 4,422,525	$ 18,089,562	$ 36,655,471

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, 2013.

	Ending Balance at 9/30/12	Total Realized/ Unrealized Gains	Purchases	Sales Fees and Withdrawals	Ending Balance at 9/30/13
Hedge funds	$ 14,889,175	$ 1,534,157	$ 1,000,000	$ (1,604,119)	$ 15,819,213
Fixed income fund	1,162,203	(102,911)	—	—	1,059,292
Emerging market fund	2,038,184	79,995	—	—	2,118,179
	$ 18,089,562	$ 1,511,241	$ 1,000,000	$ (1,604,119)	$ 18,996,684

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, 2012.

	Beginning Balance at 10/1/11	Total Realized/ Unrealized Gains	Purchases	Sales Fees and Withdrawals	Ending Balance at 9/30/12
Hedge funds	$ 13,786,341	$ 487,869	$ 1,000,000	$ (385,035)	$ 14,889,175
Fixed income fund	1,119,013	48,452	—	(5,262)	1,162,203
Emerging market fund	1,846,791	191,393	—	—	2,038,184
	$ 16,752,145	$ 727,714	$ 1,000,000	$ (390,297)	$ 18,089,562

NOTE C—FAIR VALUE—Continued

The table below presents additional information for the Institute's investments, as of September 30, 2013, 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 at 9/30/2013	Fair Value at 9/30/2012	Unfunded Commitments	Expected Liquidation Term	Redemption Terms	Redemption Restrictions	Redemption Restrictions at 9/30/13
Hedge funds (a)	$ 15,819,213	$ 14,889,175	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)	4,236,373	4,422,525	None	Not applicable	Monthly	None	None
Fixed income fund (c)	1,059,292	1,162,203	None	Not applicable	Monthly	15 days notice	None
Emerging market fund (d)	2,118,179	2,038,184	None	Not applicable	Monthly	30 days notice	None
	$ 23,233,057	$ 22,512,087					

(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:

	2013	2012
U.S. government	4%	5%
Foundations	7%	34%
Foreign governments	67%	22%
International organizations	8%	13%
Corporations, individuals, and others	14%	26%
	100%	100%

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

	2013	2012
Due within one year	$ 30,696,898	$ 26,265,553
Due within two to five years	2,885,401	4,422,957
Total gross grants, pledges and contracts receivable	33,582,299	30,688,510
Less:		
Allowance for doubtful accounts	(137,561)	(117,874)
Unamortized discount on receivables	(60,273)	(85,118)
Grants, pledges, and contracts receivable, net	$ 33,384,465	$ 30,485,518

Contributions that are to be received over multiple years are discounted to present value at a discount rate commensurate with the risk at the time the contributions were pledged. Allowance for doubtful accounts is determined based on the average write-offs as a percentage of revenue over the last five years.

NOTE E—FURNITURE, FIXTURES, LEASES AND EQUIPMENT

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

	2013	2012
Furniture, equipment and software	$ 5,389,381	$ 4,466,551
Leasehold improvements	1,237,195	1,188,944
Equipment under capital lease agreements	51,112	108,733
Artwork	8,825	8,825
	6,686,513	5,773,053
Less: accumulated depreciation and amortization	(5,085,514)	(4,456,056)
Furniture, fixtures, and equipment, net	$ 1,600,999	$ 1,316,997

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:

	2013	2012
Equipment under capital lease	$ 51,112	$ 108,733
Less: accumulated amortization	(51,112)	(92,277)
Equipment under capital lease, net	$ -	$ 16,456

NOTE F—OBLIGATIONS UNDER CAPITAL LEASES—Continued

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,	
2014	$ 6,928
2015	3,464
Total future minimum lease payments	10,392
Less: amount representing interest	(334)
Present value of minimum lease payments	$ 10,058

Interest expense related to the capital leases was $420 and $765 respectively, for the years ended September 30, 2013 and 2012.

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 a total of five months of free rent; for October to December 2012 and February to March 2008. This rent abatement is being amortized on a straight-line basis over the life of the lease as a reduction of rent expense.

Minimum future rental payments under non-cancelable leases are as follows:

September 30,	
2014	$ 2,473,233
2015	2,401,934
2016	2,457,462
2017	2,514,238
2018	2,572,291
Thereafter	869,362
Total	$ 13,288,520

Rental expense for these leases was $2,570,863 and $2,704,931 for the years ended September 30, 2013 and 2012, respectively.

NOTE H—DEBT

The Institute entered into a margin loan of $2 million secured by its investments in May 2011. This loan was paid off in August, 2012.

On July 2, 2012, the Institute entered into a revolving line-of-credit agreement with Bank of America, N.A. for $3,000,000 which bears interest at the daily floating London Interbank Offered Rate (LIBOR) plus 1.60%. The agreement which was to expire on December 31, 2012 was extended to June 30, 2014 and the amount increased to $5,000,000. The interest rate on the line-of-credit was 1.78% as of September 30, 2013. There was an outstanding balance of $5,000,000 as of September 30, 2013.

NOTE I—FUNDS HELD FOR OTHERS

During 2012, the Shell Foundation provided a grant of $100,000 to EMBARQ, a WRI program in memory of the late Lee Schipper to establish a scholarship fund. Other smaller donors have since contributed an additional $3,100 to this effort. As of September 30, 2013 and 2012, this fund had a balance of $93,100 and $101,100 respectively. The total scholarship awarded for fiscal year 2013 was $10,000.

NOTE J—TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Embarq	$ 3,559,858	$ 18,160,475
Climate & Energy	5,910,191	2,533,703
People & Ecosystems	5,824,492	5,947,581
Institutions & Governance	2,419,856	2,540,759
Market & Enterprise	878,727	1,369,157
Special Studies/ Innovation	19,571,003	3,873,025
Communication & World Resources Report	467,777	228,397
Development	219,125	—
Cumulative unappropriated endowment earnings	2,301,277	1,425,816
Total	$ 41,152,306	$ 36,078,913

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

	2013	2012
Embarq	$ 10,686,364	$ 4,145,471
Climate & Energy	2,253,952	7,277,819
People & Ecosystems	3,255,296	2,417,266
Institutions & Governance	1,703,063	1,476,751
Market & Enterprise	1,065,572	1,524,169
Special Studies/Innovation	2,135,122	6,731
Communication & World Resources Report	114,396	423,449
Development	1,502	—
Total	$ 21,215,267	$ 17,271,656

NOTE K—ENDOWMENT FUNDS

In 1987, the MacArthur Foundation gave the Institute a challenge loan of $12,516,000 with the understanding that it would forgive this loan to the extent that the Institute raised qualifying matching funds under a comprehensive development program. The purpose of the challenge loan was to facilitate the establishment of a 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. Under the directives of the donor, the $250,000 endowment was converted to contribution in 2012. 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 K—ENDOWMENT FUNDS—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 2013 and 2012, respectively, $1,891,258 and $1,793,624 of these earnings were transferred from temporarily restricted to unrestricted operating net assets in accordance with the policy statement referred to above.

NOTE K—ENDOWMENT FUNDS—Continued

Endowment Net Asset Composition by Type of Fund as of September 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ —	$ 3,443,514	$ 25,100,000	$ 28,543,514
Board-designated endowment funds	3,214,930	—	—	3,214,930
Total funds	$ 3,214,930	$ 3,443,514	$ 25,100,000	$ 31,758,444

Changes in Endowment Net Assets for the Year Ended September 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,056,328	$ 2,321,330	$ 25,337,766	$ 30,715,424
Investment return				
Investment income	71,205	640,840	—	712,045
Net appreciation (realized and unrealized)	87,397	2,372,602	—	2,459,999
Total investment return	158,602	3,013,442	—	3,172,044
Appropriation of endowment assets for expenditure	—	(1,891,258)	(237,766)	—
Endowment net assets, end of year	$ 3,214,930	$ 3,443,514	$ 25,100,000	$ 31,758,444

NOTE K—ENDOWMENT FUNDS—Continued

Endowment Net Asset Composition by Type of Fund as of September 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ —	$ 895,514	$ 25,337,766	$ 26,233,280
Board-designated endowment funds	3,056,328	—	—	3,056,328
Unappropriated endowment income	—	1,425,816	—	1,425,816
Total funds	$ 3,056,328	$ 2,321,330	$ 25,337,766	$ 30,715,424

Changes in Endowment Net Assets for the Year Ended September 30, 2012:

	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	78,779	709,006	—	787,785
Net appreciation (realized and unrealized)	349,942	2,948,568	—	3,298,510
Total investment return	428,721	3,657,574	—	4,086,295
Appropriation of endowment assets for expenditure		(1,793,624)	—	(1,793,624)
Endowment net assets, end of year	$ 3,056,328	$ 2,321,330	$ 25,337,766	$ 30,715,424

NOTE L—SIGNIFICANT CONTRACTS

The Institute was awarded a two-year $8,600,000 grant on October 1, 2012, by the Netherlands Ministry of Foreign Affairs awarding WRI a core funding grant for the program "Sustainable Development in a Warming and Resource-Constrained World". WRI has received $4,300,000 as of September 30, 2013. A total of $4,142,499 of this grant has been spent as of September 30, 2013.

The Institute was awarded a five-year 75,000,000 SEK grant on October 1, 2012, 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 $2,260,636 as of September 30, 2013. A total of $2,058,809 of this grant has been spent as of September 30, 2013.

The Institute was awarded a two year 15,000,000 DKK grant in July of 2013, by the Danish Ministry of Foreign Affairs that will support the Institute's core funding activities and Global Green Growth Forum. WRI has received $1,324,106 as of September 30, 2013. A total of $35,185 of this grant has been spent as of September 30, 2013.

The Institute was awarded a three-year grant of 60,000,000 NOK effective January 1, 2013, by the Norwegian Agency for Development Cooperation (NORAD) for supporting WRI Global Forest Watch 2.0. WRI has received $1,668,448 as of October 8, 2013. A total of $1,450,221 of this grant has been spent as of September 30, 2013. NORAD awarded an additional 1.5 year grant of 52,744,418 NOK effective June 2013, for the program "New Climate Economy: Efficiency, Innovation and Low Carbon Growth. WRI has received $926,252 as of October 8, 2013. A total of $742,426 of this grant has been spent as of September 30, 2013.

The Institute was awarded a one-year 200,000 EUR grant in June 2013, by Irish Aid to support governance, adaptation, environmental mainstreaming and food and water security initiatives in Africa. WRI has received $260,040 as of October 8, 2013. None of of this grant has been spent as of September 30, 2013.

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 $3,117,303 and $3,405,958 for the years ended September 30, 2013 and 2012, respectively. Such revenue accounted for approximately 6.19 percent and 7.56 percent of total federal and non-federal grants, contributions, and cooperative agreement revenues during the years ended September 30, 2013 and 2012, 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, 2013 and 2012, was $1,165,611 and $1,040,556, respectively.

NOTE N—SUBSEQUENT EVENTS

The Institute evaluated its September 30, 2013 financial statements for subsequent events through January 31, 2014, the date the financial statements were available to be issued and identified the following event. As of November 14, 2013, the Institute has paid $5,000,000 towards its line of credit with Bank of America, N.A. The Institute is not aware of any additional subsequent events which would require disclosure in the financial statements.

Supplemental Information

World Resources Institute and Subsidiary

Schedule of Functional Expenses

Year ended September 30, 2013

	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	$ 3,773,882	$ 2,431,819	$ 1,915,841	$ 1,515,137	$ 1,118,053	$ 945,748	$ 918,738	$ 12,619,218	$ 1,883,217	$ 1,168,584	$ 15,671,019
Fringe Benefits	1,650,237	1,062,137	823,068	661,443	496,912	418,094	398,663	5,510,554	826,279	518,956	6,855,789
Research Expenses	586,438	1,286,088	1,097,188	344,001	412,156	493,386	161,486	4,380,743	111,633	—	4,492,376
Conference Expenses	123,856	113,525	170,250	92,443	30,214	59,504	41,950	631,742	60,128	30,968	722,838
Publication Expenses	299,671	672,253	133,413	85,403	94,673	107,307	177,580	1,570,300	41,065	6,067	1,617,432
Communication Expenses	—	—	35,268	—	—	—	58,700	93,968	—	—	93,968
Travel	423,574	465,595	573,715	241,230	145,456	273,473	46,207	2,169,250	163,960	100,309	2,433,519
Other Direct Costs	(48,713)	80,508	98,681	27,748	24,842	65,461	27,653	276,180	1,245,578	65,751	1,587,509
Subgrants	782,355	2,834,913	3,528,202	1,059,359	22,135	125,059	8,868	8,360,891	—	—	8,360,891
Rent	600,663	539,173	427,624	261,775	204,866	208,453	161,523	2,404,077	—	166,786	2,570,863
Library and information services	46,093	41,374	32,814	20,088	15,721	15,996	12,395	184,481	—	12,799	197,280
Indirect Salaries	146,021	131,073	103,956	63,638	49,803	50,675	39,266	584,432	—	40,546	624,978
Indirect Benefits	61,379	55,095	43,697	26,749	20,934	21,301	16,505	245,660	—	17,043	262,703
Subgrant Pool Salaries	19,450	70,480	87,716	26,337	550	3,109	220	207,862	—	—	207,862
Subgrant Pool Benefits	8,686	31,476	39,173	11,762	246	1,389	98	92,830	—	—	92,830
Subgrant Pool Other Costs	1,534	5,560	6,919	2,077	43	245	17	16,395	—	—	16,395
Supplies and materials	24,828	22,286	17,675	10,820	8,468	8,616	6,676	99,369	—	6,894	106,263
Postage	18	18	15	8	7	7	9	82	—	4	86
Telephone and cables	53,670	48,176	38,209	23,390	18,305	18,626	14,432	214,808	—	14,903	229,711
Equipment rental and maintenance	218,053	195,731	155,236	95,030	74,371	75,673	58,636	872,730	—	60,547	933,277
Other Indirect	26,835	24,088	19,104	11,695	9,152	9,313	7,216	107,403	—	7,451	114,854
Depreciation	159,491	143,164	113,545	69,508	54,397	55,350	42,888	638,343	—	44,286	682,629
Total Expenses	8,958,021	10,254,532	9,461,309	4,649,641	2,801,304	2,956,785	2,199,726	41,281,318	4,331,860	2,261,894	47,875,072
Allocation of administration costs	1,012,106	908,498	720,539	441,086	345,196	351,241	272,163	4,050,829	(4,331,860)	281,031	—
Total Expenses After G&A Allocations	$ 9,970,127	$ 11,163,030	$ 10,181,848	$ 5,090,727	$ 3,146,500	$ 3,308,026	$ 2,471,889	$ 45,332,147	$ —	$ 2,542,925	$ 47,875,072

World Resources Institute and Subsidiary

Schedule of Functional Expenses

Year ended September 30, 2012

	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	$ 3,521,844	$ 2,513,378	$ 1,866,586	$ 1,539,579	$ 1,093,150	$ 415,549	$ 793,940	$ 11,744,026	$ 1,557,244	$ 1,023,635	$ 14,324,905
Fringe Benefits	1,434,491	1,030,073	760,971	615,989	440,496	173,686	319,124	4,774,830	639,918	425,959	5,840,707
Research Expenses	412,653	857,930	1,392,781	112,289	402,690	266,622	108,500	3,553,465	32,200	763	3,586,428
Conference Expenses	146,832	83,859	60,931	115,963	31,544	229,804	18,911	687,844	38,257	148,548	874,649
Publication Expenses	125,673	515,650	117,923	60,628	89,985	19,603	139,458	1,068,920	38,126	112,313	1,219,359
Communication Expenses	28,862	—	9,099	138	—	86,012	76,656	200,767	—	2,517	203,284
Travel	417,237	419,584	584,871	235,448	77,426	136,838	46,110	1,917,514	128,515	114,224	2,160,253
Other Direct Costs	(35,202)	69,965	96,651	43,019	25,685	(52,215)	20,639	168,542	1,624,118	64,775	1,857,435
Subgrants	418,982	1,895,893	4,104,962	1,402,830	590,402	—	—	8,413,069	—	—	8,413,069
Rent	677,432	614,534	547,307	304,786	241,874	142,809	170,504	2,699,246	—	211,850	2,911,096
Library and information services	27,858	25,271	22,507	12,534	9,946	5,873	7,012	111,001	—	8,712	119,713
Indirect Salaries	130,364	118,260	105,323	58,652	46,546	27,482	32,811	519,438	—	40,768	560,206
Indirect Benefits	52,242	47,392	42,207	23,505	18,653	11,013	13,149	208,161	—	16,338	224,499
Subgrant Pool Salaries	11,340	51,316	111,108	37,970	15,980	—	—	227,714	—	—	227,714
Subgrant Pool Benefits	4,775	21,605	46,779	15,986	6,728	—	—	95,873	—	—	95,873
Subgrant Pool Other Costs	73	330	714	244	103	—	—	1,464	—	—	1,464
Supplies and materials	20,858	18,922	16,852	9,384	7,447	4,397	5,250	83,110	—	6,523	89,633
Postage	1,090	989	881	490	389	230	274	4,343	—	341	4,684
Telephone and cables	31,708	28,764	25,618	14,266	11,321	6,684	7,981	126,342	—	9,916	136,258
Equipment rental and maintenance	187,764	170,330	151,697	84,477	67,040	39,582	47,259	748,149	—	58,718	806,867
Other Indirect	17,781	16,130	14,366	8,000	6,349	3,748	4,475	70,849	—	5,561	76,410
Depreciation	136,910	124,198	110,611	61,598	48,883	28,862	34,459	545,521	—	42,815	588,336
Total Expenses	7,771,567	8,624,373	10,190,745	4,757,775	3,232,637	1,546,579	1,846,512	37,970,188	4,058,378	2,294,276	44,322,842
Allocation of administration costs	944,412	856,726	763,004	424,904	337,198	199,091	237,701	3,763,036	(4,058,378)	295,342	—
Total Expenses After G&A Allocations	$ 8,715,979	$ 9,481,099	$ 10,953,749	$ 5,182,679	$ 3,569,835	$ 1,745,670	$ 2,084,213	$ 41,733,224	$ —	$ 2,589,618	$ 44,322,842