

Consolidated Financial Statements and Report of  
Independent Certified Public Accountants and Reports in  
Compliance with OMB Circular A-133

**World Resources Institute and Subsidiary**

September 30, 2005 and 2004

# World Resources Institute and Subsidiary

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## Report of Independent Certified Public Accountants



### Accountants and Business Advisors

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, 2005 and 2004, and the related consolidated statements of activities, the consolidated changes in net assets, and consolidated cash flows for the years then ended. These consolidated financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall 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, 2005 and 2004, and the consolidated changes in its net assets and consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2005, on our consideration of the Institute's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was performed for the purpose of forming an opinion on the 2005 consolidated financial statements of the Institute taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. The accompanying supplemental schedules on pages 25-31 are also presented for purposes of additional analysis, and are not a required part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2005 consolidated financial statements taken as a whole.

Vienna, Virginia  
December 2, 2005

A handwritten signature in cursive script that reads "Grant Thornton LLP".

# World Resources Institute and Subsidiary

## Consolidated Statements of Financial Position

<i>September 30,</i>	2005	2004
<b>Assets</b>		
Cash and cash equivalents	\$ 1,843,784	\$ 1,743,424
Cash restricted—held for others	1,306,407	1,281,835
<b>Total cash and cash equivalents</b>	<b>3,150,191</b>	<b>3,025,259</b>
Grants, pledges and contracts receivable, net of allowance for doubtful accounts of \$161,695 and \$111,695 for 2005 and 2004, respectively (Note C)	6,705,998	7,239,924
Investments (Note B)	39,503,429	36,661,135
Other assets	394,367	225,046
Furniture, fixtures, and equipment, net (Note D)	544,498	664,658
<b>Total Assets</b>	<b>\$ 50,298,483</b>	<b>\$ 47,816,022</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,161,850	\$ 858,867
Accrued salaries and benefits	419,998	413,773
Obligation under capital leases (Note E)	65,923	100,843
Deferred rent	33,794	43,932
Deferred revenue	826,328	234,380
Funds held for others	1,306,407	1,281,835
<b>Total Liabilities</b>	<b>3,814,300</b>	<b>2,933,630</b>
<b>Net Assets</b>		
Unrestricted:		
Operating	111,630	202,518
Designated—working capital reserve	2,375,504	2,108,790
Designated—other	9,848,299	7,497,325
	12,335,433	9,808,633
Temporarily restricted	9,048,750	9,973,759
Permanently restricted	25,100,000	25,100,000
<b>Total Net Assets</b>	<b>46,484,183</b>	<b>44,882,392</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 50,298,483</b>	<b>\$ 47,816,022</b>

*The accompanying notes are an integral part of these statements.*

# World Resources Institute and Subsidiary

## Consolidated Statements of Activities

Year ended September 30, 2005

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

The accompanying notes are an integral part of these statements.

# World Resources Institute and Subsidiary

## Consolidated Statements of Activities—Continued

Year ended September 30, 2004

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated			
<b>Revenues</b>					
Grants/contracts and contributions	\$ 4,839,866	\$ —	\$ 4,877,047	\$ —	\$ 9,716,913
Federal grants and cooperative agreements	3,622,641	—	—	—	3,622,641
Investment return, net (Note B)	7,693	3,887,036	—	—	3,894,729
Support from endowment income	2,671,408	(2,671,408)	—	—	—
Publications	81,515	—	—	—	81,515
Other	9,982	—	—	—	9,982
Net assets released from program restrictions	9,731,373	—	(9,731,373)	—	—
<b>Total Revenue</b>	20,964,478	1,215,628	(4,854,326)	—	17,325,780
<b>Expenses</b>					
Policy research, technical support, and communications programs	17,162,228	—	—	—	17,162,228
Administration	2,049,506	—	—	—	2,049,506
Development	1,752,744	—	—	—	1,752,744
<b>Total Expenses</b>	20,964,478	—	—	—	20,964,478
<b>Change in Net Assets</b>	—	1,215,628	(4,854,326)	—	(3,638,698)
Net Assets, beginning of year	202,518	8,390,487	14,828,085	25,100,000	48,521,090
<b>Net Assets, end of year</b>	\$ 202,518	\$ 9,606,115	\$ 9,973,759	\$ 25,100,000	\$ 44,882,392

The accompanying notes are an integral part of these statements.

# World Resources Institute and Subsidiary

## Consolidated Statements of Cash Flows

<i>Year ended September 30,</i>	<b>2005</b>	<b>2004</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,601,791	\$ (3,638,698)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	236,612	268,131
Bad debt expense	50,000	(30,710)
Realized gain from sale of investments	(2,247,635)	(2,695,880)
Unrealized gain on investments	(3,063,803)	(1,146,611)
Changes in operating assets and liabilities:		
Grants and contracts receivable	483,926	5,905,088
Other assets	(169,321)	34,059
Accounts payable	302,983	309,014
Accrued salaries and benefits	6,225	(50,915)
Funds held for others	24,572	4,724
Deferred rent	(10,138)	(23,967)
Deferred revenue	591,948	192,174
<b>Net Cash Used in Operating Activities</b>	<b>(2,192,840)</b>	<b>(873,591)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	18,977,563	25,058,995
Purchase of investments	(16,508,419)	(21,002,939)
Purchase of furniture, fixtures, and equipment	(116,452)	(185,397)
<b>Net Cash Provided by Investing Activities</b>	<b>2,352,692</b>	<b>3,870,659</b>
<b>Cash Flows from Financing Activities</b>		
Payments on capital lease obligations	(34,920)	(29,528)
Payments on loan payable	—	(240,221)
Payments on line-of-credit	—	(2,000,000)
<b>Net Cash Used in Financing Activities</b>	<b>(34,920)</b>	<b>(2,269,749)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>124,932</b>	<b>727,319</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>3,025,259</b>	<b>2,297,940</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 3,150,191</b>	<b>\$ 3,025,259</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	\$ 5,872	\$ 7,785

*The accompanying notes are an integral part of these statements.*

# World Resources Institute and Subsidiary

## Notes to Consolidated Financial Statements

September 30, 2005 and 2004

### NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Organization and Principles of Consolidation*

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

The Institute's work is carried out by an approximately 140-member interdisciplinary staff, strong in sciences and economics, and augmented by a network of advisors, collaborators, international fellows, and cooperating institutes in more than 50 countries. The Institute currently focuses on four goals: (1) Access, (2) Ecosystems & People, (3) Climate, and (4) Markets & Enterprises.

The Internal Revenue Service (IRS) has classified the Institute as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), as a publicly supported not-for-profit organization.

The World Resources Institute Fund (WRIF) is a not-for-profit organization created in 1986 as a supporting organization to the Institute, and is included in these consolidated financial statements. Prior to fiscal year 2002, and after 2003, WRIF had no activities. In 2002 and 2003, WRIF activities included the operation of a capital campaign. Such activities have been shifted to the Institute since. WRIF is currently used to record investment activities for the African Centre for Technology Studies (ACTS) endowment (see note G). The IRS has classified WRIF as exempt from federal income taxes under Section 501(c)(3) of the IRC. WRIF is an entity described under Section 509(a)(3) of the IRC and, therefore, not a private foundation.

#### *Basis of Presentation*

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

#### *Classification of Net Assets*

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

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

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

*Designated—Other*—Amounts designated by the Board of Directors to be used in a manner similar to an endowment.



# World Resources Institute and Subsidiary

## Notes to Consolidated Financial Statements—Continued

September 30, 2005 and 2004

### NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

#### *Classification of Net Assets—Continued*

*Temporarily Restricted*—Contributions restricted, as to time or purpose, by the donor. When the purpose or time period restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

*Permanently Restricted*—Funds that are restricted by donors requiring that the principal be invested in perpetuity. The earnings on these funds are unrestricted and are used for operations in accordance with a spending policy approved by the Board of Directors.

#### *Revenue Recognition*

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions are reported as increases in the appropriate category of net assets, except for the contributions that impose restrictions that are met in the same fiscal year they are received, which are included in unrestricted revenues.

Income from grants and contracts is currently recorded as unrestricted revenue when the costs are incurred. Amounts received that have not been expended are recorded as deferred revenue. The amount of expenses incurred in excess of funds received is included in grants and contracts receivable.

#### *Cash and Cash Equivalents*

For purposes of reporting cash flows, the Institute considers all highly liquid investment instruments purchased with an initial maturity of three months or less to be cash equivalents.

#### *Investments*

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

#### *Furniture, Fixtures and Equipment*

Furniture, fixtures, and equipment are recorded at cost. Depreciation is recorded on the straight-line basis over estimated useful lives that range from three to five years. Leasehold improvements are amortized over the shorter of their useful lives or the lease term. Assets purchased under a capital lease are recorded as an asset and a corresponding obligation at the beginning of the lease term. The recorded amount is equal to the present value of the minimum lease payments. Leased assets are amortized over the shorter of their useful lives or the lease term. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss arising from such disposition is included in the consolidated statement of activities.

# World Resources Institute and Subsidiary

## Notes to Consolidated Financial Statements—Continued

September 30, 2005 and 2004

### NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

#### *Costs Subject to Audit*

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

#### *Use of Estimates*

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

#### *Concentration of Credit Risk*

Cash is held at financial institutions in excess of federally insured amounts. At September 30, 2005 and 2004, \$2,737,633 and \$1,797,943, respectively, was held at these institutions. The Institute has not incurred any losses on these funds.

### NOTE B—INVESTMENTS

Investments were as follows as of September 30:

	2005	2004
Short-term investments	\$ 599,814	\$ 1,196,818
Limited liability partnerships	16,697,933	14,804,108
Equities	22,205,682	20,660,209
Total	\$ 39,503,429	\$ 36,661,135

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

	2005	2004
Realized gains	\$ 2,247,635	\$ 2,695,880
Unrealized gains	3,063,803	1,146,611
Dividends and interest	290,294	321,774
Investment management fees and foreign taxes	(214,521)	(269,536)
Total	\$ 5,387,211	\$ 3,894,729

## World Resources Institute and Subsidiary

### Notes to Consolidated Financial Statements—Continued

September 30, 2005 and 2004

#### NOTE C—GRANTS, PLEDGES AND CONTRACTS RECEIVABLE

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

	2005	2004
U.S. government	9%	11%
Foundations	23%	18%
Foreign governments	29%	7%
International organizations	7%	10%
Corporations, individuals, and others	32%	54%
	100%	100%

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

	2005	2004
Less than one year	\$ 5,877,913	\$ 5,861,916
One to four years	1,041,410	1,553,894
Allowance for doubtful accounts	(161,695)	(111,695)
Unamortized discount on receivables	(51,630)	(64,191)
Grants, pledges and contracts receivable, net	\$ 6,705,998	\$ 7,239,924

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

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

	2005	2004
Furniture and equipment	\$ 1,735,145	\$ 1,620,486
Leasehold improvements	803,806	802,012
Equipment under capital lease agreements	170,675	170,676
Artwork	8,825	8,825
	2,718,451	2,601,999
Less: accumulated depreciation and amortization	(2,173,953)	(1,937,341)
Furniture, fixtures, and equipment, net	\$ 544,498	\$ 664,658

## World Resources Institute and Subsidiary

### Notes to Consolidated Financial Statements—Continued

*September 30, 2005 and 2004*

#### NOTE E—OBLIGATIONS UNDER CAPITAL LEASES

The Institute is obligated under capital lease agreements for certain copy equipment. The aggregate discounted lease payments are recorded as a liability. Obligations under capital leases and the fair market values of the related leased assets are capitalized and amortized over the related lease periods. Total assets capitalized pursuant to such agreements, and the related accumulated amortization at September 30, were as follows:

	2005	2004
Equipment under capital lease	\$ 170,676	\$ 170,676
Less: accumulated amortization	(113,974)	(79,505)
Equipment under capital lease, net	\$ 56,702	\$ 91,171

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

<i>September 30,</i>	
2006	\$ 40,792
2007	23,992
2008	5,393
Total future minimum lease payments	70,177
Less: amount representing interest	(4,254)
Present value of minimum lease payments	\$ 65,923

Interest expense related to the capital leases was \$5,872 and \$7,785, respectively, for the years ended September 30, 2005 and 2004.

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

The Institute has entered into various operating lease agreements. During 1999, the Institute relocated to a new office building, under a lease which expires in February 2009. As part of the office building lease, the Institute received one month of free rent. This rent abatement is being amortized on a straight-line basis over the life of the lease as a reduction of rent expense.

## World Resources Institute and Subsidiary

### Notes to Consolidated Financial Statements—Continued

*September 30, 2005 and 2004*

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

The future minimum lease payments as of September 30, 2005, are as follows:

<i>September 30,</i>	
2006	\$ 1,439,742
2007	1,468,509
2008	1,497,909
2009	502,598
Total	\$ 4,908,758

Rental expense for these leases was \$1,595,688 and \$1,489,065 for the years ended September 30, 2005 and 2004, respectively.

#### NOTE G—FUNDS HELD FOR OTHERS

The Ford Foundation gave a grant (for endowment) of \$1,200,000 to ACTS (an unrelated organization) in Nairobi, Kenya. ACTS requested the Institute to hold the funds in an interest-bearing account until further notice, earning interest of \$105,407 as of September 30, 2005.

In addition, \$1,000 is being held for Millennium Ecosystem Assessment as of September 30, 2005.

#### NOTE H—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.

## World Resources Institute and Subsidiary

### Notes to Consolidated Financial Statements—Continued

September 30, 2005 and 2004

#### NOTE H—PERMANENTLY RESTRICTED NET ASSETS—Continued

After the Institute successfully met the terms of the loan agreement, an endowment was formally established at the level of \$25 million (cost basis) on January 1, 1991, with earnings on the corpus expendable to support any activities of the Institute. The Institute's Board of Directors adopted a policy statement entitled *Endowment Fund: Purposes, Goals, and Policies*, which establishes spending rules for future withdrawals of earnings to cover portions of the Institute's annual operating budget while protecting the value of the endowment against inflation. Investment earnings from the endowment (net of investment expenses) are recognized as unrestricted designated revenue. During 2005 and 2004, \$1,938,380 and \$1,599,190, respectively, of these earnings were transferred from unrestricted designated to unrestricted operating net assets in accordance with the policy statement referred to above. The Board of Directors also authorized management to draw down an additional amount to cover capital campaign expenses during the period January 1, 2002, to September 30, 2006. As of September 30, 2005, the amount drawn down for this purpose was \$3,595,026.

In 2003, an individual contributed \$100,000 for the purpose of creating an endowment to enable the Institute to have interns. Investment earnings from the endowment are recognized as unrestricted designated revenue.

#### NOTE I—TEMPORARILY RESTRICTED NET ASSETS

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

	2005	2004
Climate, energy, and pollution	\$ 1,950,333	\$ 2,011,812
Biological resources	675,994	802,780
Institutions and governance	1,834,525	694,555
Sustainable enterprise	1,754,001	1,884,956
Global Information	846,761	2,179,491
Special studies	1,987,136	2,400,165
Total	\$ 9,048,750	\$ 9,973,759

## World Resources Institute and Subsidiary

### Notes to Consolidated Financial Statements—Continued

September 30, 2005 and 2004

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

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

	2005	2004
Climate, energy, and pollution	\$ 1,487,743	\$ 863,931
Biological resources	689,960	748,210
Institutions and governance	399,741	845,171
Sustainable enterprise	970,697	1,353,781
Global Information	1,714,686	3,349,405
Special studies	1,141,837	2,570,875
Total	\$ 6,404,664	\$ 9,731,373

#### NOTE J—SIGNIFICANT CONTRACTS

The Institute was awarded a four-year 6,000,000 euro grant on October 1, 2004, by the Netherlands Ministry of Foreign Affairs for core funding in response to their proposal *Leveraging Change at the Nexus of Poverty, Ecosystem and Governance*. A total of 1,500,000 euros (\$1,846,500) of this grant was used in fiscal 2005. The Dutch government has been a major supporter of the Institute for several years. Their contributions accounted for approximately 11 percent and 7 percent of non-investment-related revenue for 2005 and 2004, respectively.

The Institute initiates and completes a substantial portion of its projects within the Institutions and Governance and Information Programs pursuant to a single cooperative agreement from the U.S. Agency for International Development. The revenue pursuant to this cooperative agreement was \$3,118,815 and \$2,603,375 for the years ended September 30, 2005 and 2004, respectively. Such revenue accounted for approximately 19.08 percent and 19.50 percent of total federal and non-federal grants, contributions, and cooperative agreement revenues during the years ended September 30, 2005 and 2004.

#### NOTE K—EMPLOYEE BENEFITS

The Institute contributes either 5 percent or 8 percent (based on years of service) of eligible employees' annual earnings, as defined in Plan agreements, to individually owned tax-deferred annuity contracts under a defined contribution annuity plan. The amount contributed to the Plan for the years ended September 30, 2005 and 2004, was \$525,793 and \$521,550, respectively.

# World Resources Institute and Subsidiary

## Notes to Consolidated Financial Statements—Continued

*September 30, 2005 and 2004*

### NOTE L—PROGRAM EXPENSE

Expenses by program are as follows as of September 30:

	2005	2004
Information	\$ 3,033,805	\$ 5,174,126
Institutions and governance	2,985,336	2,763,433
Biological resources	2,605,276	2,064,679
Sustainable enterprise	2,223,301	2,857,916
Embarq	1,774,482	—
Climate, energy, and pollution	1,750,459	2,431,288
Special studies/innovations	1,260,199	1,275,027
Communications	731,605	595,759
Total	\$ 16,364,463	\$ 17,162,228



**Supplemental Information**



World Resources Institute

Supplemental Schedule of Expenditures of Federal Awards

Year ended September 30, 2005

Federal Grantor Program Title	Federal Contract Number	Federal CFDA Number	2005 Expenses
<b>U.S. Agency for International Development:</b>			
Forest Policy and Environmental Governance*	AOT-A-00-00-00241-00	98	\$ 1,008,816
Governing Ecosystems*	EEE-A-00-02-00056-00	98	646,008
Improved Governance and Sustainable Use of Forest Resources*	623-A-00-03-00075-00	98	1,051,124
Catalyzing Private Sector Invstmt to Alleviate Poverty*	EPP-A-00-04-00041-00	98	203,028
Pass-through from United Nations Environment Programme*	QGA-2312-5068-2612	98	87,924
Pass-through from Academy of Educational Development*	EPP-A-00-04-00002-00	98	<u>121,915</u>
<b>Total for U.S. Agency for International Development</b>			<b>3,118,815</b>
<b>U.S. Environmental Protection Agency:</b>			
Material Flows: Stat. Analysis and Indicators Res.	R-82904601-0	66.606	55,000
Combating Global Climate Change: Flexibility with Integrity	X-82924001-5	66.606	70,167
Nutrient Net: Taking Trading On-Line for the Chesapeake Bay	CB-98367001-0	66.466	19,717
Assesing Mexico's Interest and Potential for Cap and Trade emissions	XA-83049701-0	66.606	3,357
Dev. of Market Based Mechanisms for Climate Protection	XA-83051501-0	66.034	171,589
Training Materials on Emissions Account/India and Mexico	EPO5W002960	66	1
IPCC Authorship	EP05W000223	66	15,000
Renewable Pwr Generation Env. Workshop	EP05W000022	66	15,000
Workshop analysis	EP05W001086	66	15,000
Development and Application of Infrastructure for a Model Trading Registry and Agricultural Participation-Kalamazoo River	WS96569601-0	66	3,733
Pass-through from Research Triangle Institute	GS-10F-0283K	66	22,071
Pass-through from Kansas State University	RD-83177401	66.509	<u>1</u>
<b>Total for U.S. Environmental Protection Agency</b>			<b>390,636</b>
<b>U.S. Department of Agriculture</b>			
Documenting and Updating the US Reg. Sector Mathematical Prgm model	43-3AEL-3-80079	10	27,011
Forest Pilot Mapping study in Russia	04-DG-11132762-239	10.652	34,621
Pass-through from Texas AandM	2003-38411-13493	10.217	37,282
Pass-through from PA Env. Council	NRCS 68-3A75-4-181	10	124,808
Pass-through from Iowa State University	NRCS 68-3A75-4-137	10	<u>23,153</u>
			246,875
<b>National Science Foundation</b>			
Pass through from Iowa State University	CMS-0424700	47.041	47,164
<b>U.S. Geological Survey/U.S. Dept. of the Interior</b>			
(U.S. Fish and Wildlife) Mapping and Monitoring of Cntd Africa Forests	98210-4-G756	15.617	13,192
<b>U.S. Dept. of Commerce/National Oceanic and Atmospheric Admin.</b>			
Reefs at Risk: Improving the Info. avail. for Sound Mgmt and Protection	NA03NMF6430325	11.463	48,596
Implementation of U.S. Govt. Geographic info for Susn. Dev.	NEEA2000-4-00059	11	<u>2,998</u>
			51,594
<b>U.S. Dept. of Energy</b>			
Analysis of the Hydrogen Production and Delivery Infrastructure	DE-FG36-05GO15034	81.117	1,106
<b>U.S. Dept. of State</b>			
Promoting Environmental Democracy in Estonia	S-LMAQM-03-H-0209	19.424	14,211
Promoting Environmental Democracy in Latvia, Lithuania and Poland	S-LMAQM-04-GR-088	19.424	<u>71,038</u>
			85,249
<b>Total Federal Expenditures</b>			<b>\$ 3,954,631</b>

\*Major program

## World Resources Institute and Subsidiary

### Notes to Schedule of Expenditures of Federal Awards

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*Year ended September 30, 2005*

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#### **NOTE A—BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all federal grants to the Institute that had expenditure activity during the year ended September 30, 2005. This Schedule has been prepared on the accrual basis of accounting for expenditures in accordance with accounting principles generally accepted in the United States of America. Grant revenues and expenditures are recorded for financial reporting purposes when the Institute has met the qualifications for the respective grants. Grant revenues are equivalent to grant expenditures. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations Receiving Federal Awards*.

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#### **NOTE B—SUBRECIPIENTS**

Of the federal expenditures presented in this Schedule, the Institute provided federal awards to subrecipients totaling \$1,170,305.

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#### **NOTE C—CATALOG OF FEDERAL DOMESTIC ASSISTANCE**

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

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

Board of Directors  
World Resources Institute

We have audited the consolidated financial statements of the World Resources Institute (the Institute) as of and for the year ended September 30, 2005, and have issued our report thereon dated December 2, 2005. We conducted our audit 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.

### **Compliance**

In planning and performing our audit, we considered the Institute's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Internal Control over Financial Reporting**

As part of obtaining reasonable assurance about whether the Institute's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 Institute's Board, management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Grant Thornton LLP*

Vienna, Virginia  
December 2, 2005

**Report of Independent Certified Public Accountants on  
Compliance with Requirements Applicable to Each  
Major Program and Internal Control over Compliance in  
Accordance with OMB Circular A-133**

Board of Directors  
World Resources Institute

### **Compliance**

We have audited the compliance of the World Resources Institute (the Institute) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2005. The Institute's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 under the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Institute's compliance with those requirements.

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

### **Internal Control over Compliance**

The management of the Institute is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, and contracts caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia  
December 2, 2005

# World Resources Institute and Subsidiary

## Schedule of Findings and Questioned Costs

*Year ended September 30, 2005*

### **Section I**

### **Summary of Auditor's Results**

#### **Financial Statements**

- |   |               |
|---|---------------|
| 1. Type of auditor's report issued  | Unqualified   |
| 2. Internal control over financial reporting                                  |               |
| a. Material weaknesses identified?  | None          |
| b. Reportable conditions identified not considered to be material weaknesses? | None reported |
| c. Noncompliance material to the financial statements noted?                  | No            |

#### **Federal Awards**

- |   |               |
|---|---------------|
| 1. Internal control over major programs:  |               |
| a. Material weaknesses identified?  | None          |
| b. Reportable conditions identified not considered to be material weaknesses?   | None 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:   |               |
| U.S. Agency for International Development   | 98.various    |
| 5. Dollar threshold used to distinguish between Type A and Type B programs:   | \$300,000     |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?                                       | Yes           |

### **Section II**

Financial Statements Findings	None
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### **Section III**

Federal Award Findings and Questioned Costs	None
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## Supplemental Schedules





World Resources Institute and Subsidiary

Schedule of Functional Expenses

Year ended September 30, 2005

	Climate Energy and Pollution	Biological Resources	Embarq	Institutions and Governance	Sustainable Enterprise	Information	Special Studies/ Innovations	Communications	Total Program Expenses	Administration	Development (Including Capital Campaign)	Total Expenses
Salaries and stipends	\$ 860,615	\$ 1,003,785	\$ 526,434	\$ 825,278	\$ 986,189	\$ 736,010	\$ 452,237	\$ 328,949	\$ 5,719,497	\$ 1,177,987	\$ 789,515	\$ 7,686,999
Benefits	238,976	287,713	152,843	241,044	257,394	199,934	121,341	106,039	1,605,284	334,014	227,746	2,167,044
Research expenses	94,436	245,964	120,541	230,607	52,554	164,533	119,218	34,653	1,062,506	57,491	74,394	1,194,391
Conference expenses	7,978	14,655	46,688	128,774	86,558	7,435	161,346	5,484	458,918	82,369	24,813	566,100
Publication expenses	69,626	79,434	18,374	119,815	61,978	655,225	31,181	67,186	1,102,819	8,259	85,166	1,196,244
Communication expenses	1,000	—	239	—	10,090	4,645	76	22,497	38,547	—	—	38,547
Staff and Board travel	90,668	176,851	157,675	125,669	135,291	37,502	35,507	14,240	773,403	55,668	47,166	876,237
Other direct expenses	20,415	27,787	21,633	31,987	26,826	20,088	79,449	13,460	241,645	445,246	33,142	720,033
Subgrants/subrecipients	41,901	338,021	484,864	882,324	228,841	779,906	25,000	—	2,778,857	—	—	2,778,857
Rent	179,756	238,510	135,665	221,232	210,023	237,105	129,940	76,963	1,429,174	—	166,516	1,595,690
Library and information services	9,688	12,855	7,312	11,924	11,320	12,780	7,004	4,148	77,031	—	8,975	86,006
Indirect salaries	48,453	64,297	36,572	59,639	56,617	63,918	35,029	20,748	385,273	—	44,889	430,162
Indirect benefits	12,999	17,249	9,812	16,000	15,189	17,148	9,397	5,566	103,360	—	12,043	115,403
Subgrant pool salaries	7,997	10,612	6,036	9,843	9,344	10,549	5,781	3,424	63,586	—	7,407	70,993
Subgrant pool benefits	2,376	3,153	1,793	2,924	2,776	3,134	1,718	1,017	18,891	—	2,201	21,092
Supplies and materials	7,474	9,918	5,641	9,199	8,733	9,860	5,403	3,200	59,428	—	6,924	66,352
Postage	2	2	1	2	2	2	1	1	13	—	2	15
Telephone and cables	7,927	10,519	5,983	9,757	9,263	10,457	5,731	3,394	63,031	—	7,344	70,375
Equipment and maintenance	18,394	24,409	13,884	22,641	21,494	24,266	13,298	7,877	146,263	—	17,041	163,304
Other	3,146	4,175	2,375	3,872	3,676	4,150	2,274	1,347	25,015	—	2,915	27,930
Depreciation	26,652	35,367	20,117	32,805	31,143	35,158	19,268	11,412	211,922	—	24,691	236,613
Total expenses	1,750,459	2,605,276	1,774,482	2,985,336	2,223,301	3,033,805	1,260,199	731,605	16,364,463	2,161,034	1,582,890	20,108,387
Allocation of administration costs	243,416	323,013	183,730	299,613	284,433	321,110	175,977	104,231	1,935,523	(2,161,034)	225,511	—
Total	\$ 1,993,875	\$ 2,928,289	\$ 1,958,212	\$ 3,284,949	\$ 2,507,734	\$ 3,354,915	\$ 1,436,176	\$ 835,836	\$ 18,299,986	\$ —	\$ 1,808,401	\$ 20,108,387

World Resources Institute and Subsidiary

Schedule of Functional Expenses

Year ended September 30, 2004

	Climate Energy and Pollution	Biological Resources	Institutions and Governance	Sustainable Enterprise	Information	Special Studies	Communications	Total Program Expenses	Administration	Development	Total Expenses
Salaries and stipends	\$ 702,608	\$ 766,976	\$ 838,804	\$ 1,241,720	\$ 1,043,542	\$ 594,444	\$ 315,670	\$ 5,503,764	\$ 1,157,175	\$ 772,051	\$ 7,432,990
Benefits	203,771	222,229	246,129	351,515	308,653	166,360	95,291	1,593,948	340,328	228,210	2,162,486
Research expenses	173,030	180,548	172,130	115,282	294,567	141,159	972	1,077,688	11,813	243,896	1,333,397
Conference expenses	78,192	11,395	105,019	61,602	66,171	7,226	5,861	335,466	11,600	5,244	352,310
Publication expenses	6,342	24,868	68,298	116,908	143,900	30,701	43,512	434,529	4,268	67,140	505,937
Communication expenses	34,881	7,590	700	5,930	93,156	35,534	12,053	113,661	150	440	114,251
Staff and Board travel	201,251	102,362	215,956	126,373	33,142	19,293	4,130	780,301	55,776	67,386	903,463
Other direct expenses	57,173	101,480	41,872	57,086	33,142	19,293	4,130	314,176	468,396	37,100	819,672
Subgrants/subrecipients	634,425	316,890	680,920	297,586	2,689,042	23,522	—	4,642,385	—	—	4,642,385
Rent	187,467	182,348	217,270	267,120	259,270	130,570	62,156	1,306,201	—	182,864	1,489,065
Library and information services	13,267	12,905	15,377	18,905	18,349	9,241	4,399	92,443	—	12,942	105,385
Indirect salaries	43,093	41,916	49,944	61,403	59,598	30,014	14,288	300,256	—	42,035	342,291
Indirect benefits	12,376	12,038	14,343	17,634	17,116	8,620	4,103	86,230	—	12,072	98,302
Subgrant pool salaries	11,131	10,827	12,901	15,861	15,395	7,753	3,691	77,559	—	10,858	88,417
Subgrant pool benefits	3,388	3,296	3,927	4,828	4,686	2,360	1,123	23,608	—	3,305	26,913
Supplies and materials	6,962	6,772	8,068	9,920	9,628	4,849	2,308	48,507	—	6,791	55,298
Postage	4	3	4	5	6	3	1	26	—	4	30
Telephone and cables	11,021	10,720	12,773	15,704	15,242	7,676	3,654	76,790	—	10,750	87,540
Equipment and maintenance	14,141	13,755	16,389	20,149	19,557	9,849	4,689	98,529	—	13,794	112,323
Other	3,008	2,926	3,486	4,286	4,160	2,095	997	20,958	—	2,934	23,892
Depreciation	33,757	32,835	39,123	48,099	46,686	23,511	11,192	235,203	—	32,928	268,131
Total expenses	2,431,288	2,064,679	2,763,433	2,857,916	5,174,126	1,275,027	595,759	17,162,228	2,049,506	1,752,744	20,964,478
Allocation of administration costs	258,025	250,978	299,044	367,656	356,851	179,714	85,549	1,797,817	(2,049,506)	251,689	—
Total	\$ 2,689,313	\$ 2,315,657	\$ 3,062,477	\$ 3,225,572	\$ 5,530,977	\$ 1,454,741	\$ 681,308	\$ 18,960,045	\$ —	\$ 2,004,433	\$ 20,964,478

## World Resources Institute and Subsidiary

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

Year ended September 30, 2005

Direct Expenses	Programs	Fundraising	Total Expenses
Salaries and stipends	\$ 5,719,497	\$ 789,515	\$ 6,509,012
Fringe benefits	1,605,284	227,746	1,833,030
Research expenses	1,062,506	74,394	1,136,900
Conference expenses	458,918	24,813	483,731
Communication expenses	38,547	—	38,547
Institutional cooperative agreements/subgrants	2,778,857	—	2,778,857
Publications	1,102,819	85,166	1,187,985
Staff and Board travel	773,403	47,166	820,569
Other direct costs	241,645	33,142	274,787
<b>Total direct expenses</b>	<b>13,781,476</b>	<b>1,281,942</b>	<b>15,063,418</b>
Less: Costs of institutional cooperative agreements/subgrants	(2,778,857)	—	(2,778,857)
<b>Total Allowable Direct Expenses (Allocation Base)</b>	<b>\$ 11,002,619</b>	<b>\$ 1,281,942</b>	<b>\$ 12,284,561</b>

Facility Costs	Total Facility Cost
Rent	\$ 1,595,690
Salaries	430,162
Fringe benefits	115,403
Library and information services	86,006
Supplies and materials	66,352
Postage	15
Telephone and cables	70,375
Equipment rental and maintenance	163,304
Interest/offsite storage/miscellaneous expenses	27,930
Depreciation and amortization	236,613
<b>Total Allowable Facility Costs</b>	<b>\$ 2,791,850</b>

#### Calculation of Facility Cost Rate:

Total allowable facility costs/total allowable direct expenses (\$2,791,850/\$12,284,561) 22.73%

World Resources Institute and Subsidiary

Schedule of Fringe Benefit Rate Calculation

Year ended September 30, 2005

Fringe Benefits	Regular and Term Staff	Temporary Staff	Total Benefits
FICA	\$ 545,696	\$ 31,046	\$ 576,742
Group health	578,251	—	578,251
Retirement	525,793	—	525,793
Unemployment	21,024	4,888	25,912
Workers' compensation	43,555	650	44,205
Other	552,633	—	552,633
Total allocable costs	<u>\$ 2,266,952</u>	<u>\$ 36,584</u>	<u>\$ 2,303,536</u>

Regular and Term Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries	\$ 5,719,497	\$ 789,515	\$ 430,162	\$ 70,993	\$ 1,177,987	\$ 8,188,154
Less: excluded salaries expense*	(421,615)	(30,549)	(47,266)	—	(57,724)	(557,154)
Total allowable labor base	<u>\$ 5,297,882</u>	<u>\$ 758,966</u>	<u>\$ 382,896</u>	<u>\$ 70,993</u>	<u>\$ 1,120,263</u>	<u>\$ 7,631,000</u>

Calculation of fringe benefit for regular and term staff:

Total allocable costs/total allowable labor base  
 (\$2,266,952/\$7,631,000) 29.71%

Temporary Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries and stipends	\$ 421,420	\$ 30,549	\$ 47,266	\$ —	\$ 57,724	\$ 556,959
Less: excluded salaries expense*	—	—	(25,071)	—	(41,420)	(66,491)
Total allowable labor base	<u>\$ 421,420</u>	<u>\$ 30,549</u>	<u>\$ 22,195</u>	<u>\$ —</u>	<u>\$ 16,304</u>	<u>\$ 490,468</u>

Calculation of fringe benefit for temporary staff:

Total allocable costs/total allowable labor base  
 (\$36,584/\$490,468) 7.46%

\*Excluded salary expenses are fellowship stipends, intern programs and outside temporary help. These expenditures are excluded because they are not subject to receiving fringe benefit costs and are thus removed from the base.

