

**RIGHTS AND RESOURCES INSTITUTE, INC.  
(D/B/A RIGHTS AND RESOURCES GROUP)**

**AUDITED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2011 AND 2010**



**Rights and Resources Institute, Inc.  
(D/B/A Rights and Resources Group)**

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## Independent Auditor's Report

Board of Directors  
**Rights and Resources Institute, Inc.**  
**(D/B/A Rights and Resources Group)**  
Washington, DC

805 King Farm Boulevard  
Suite 300  
Rockville, Maryland 20850

☎ 301.231.6200  
☎ 301.231.7630  
www.aronsonllc.com  
info@aronsonllc.com

We have audited the accompanying Statements of Financial Position of the **Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)** (a nonprofit organization) as of December 31, 2011 and 2010, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 **Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)**'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 financial statements referred to above present fairly, in all material respects, the financial position of the **Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)** as of December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rockville, Maryland  
July 9, 2012

## Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)

### Statements of Financial Position

<i>December 31,</i>	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,397,823	\$ 3,110,200
Accounts receivable, net	778,860	75,323
Advances to local partners	77,102	435,907
Prepaid expenses	64,377	34,554
<b>Total current assets</b>	<b>4,318,162</b>	<b>3,655,984</b>
<b>Net property and equipment</b>	<b>322,072</b>	<b>117,013</b>
<b>Deposits</b>	<b>9,677</b>	<b>9,677</b>
<b>Total assets</b>	<b>\$ 4,649,911</b>	<b>\$ 3,782,674</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 818,901	\$ 758,418
Deferred revenue	3,703,023	2,649,925
<b>Total current liabilities</b>	<b>4,521,924</b>	<b>3,408,343</b>
<b>Deferred rent</b>	<b>-</b>	<b>37,358</b>
<b>Total liabilities</b>	<b>4,521,924</b>	<b>3,445,701</b>
<b>Net assets</b>		
Board designated unrestricted	83,696	58,696
Unrestricted	(16,566)	237,002
<b>Total unrestricted</b>	<b>67,130</b>	<b>295,698</b>
Temporarily restricted	60,857	41,275
<b>Total net assets</b>	<b>127,987</b>	<b>336,973</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,649,911</b>	<b>\$ 3,782,674</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)**

**Statements of Activities and Changes in Net Assets**

<i>Years Ended December 31,</i>	<u>2011</u>			<u>2010</u>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	Unrestricted	Temporarily Restricted	Total
<b>Revenue</b>						
Grants and contracts	\$ 4,366,779	\$ 80,000	\$ 4,446,779	\$ 4,407,284	\$ 100,000	\$ 4,507,284
Dept for International Development grant	2,848,978	-	2,848,978	1,866,318	-	1,866,318
Contributions	25,000	-	25,000	-	8,000	8,000
Interest	4,422	-	4,422	7,943	-	7,943
Other revenue	27,461	-	27,461	11,467	-	11,467
Release from restriction	60,418	(60,418)	-	154,009	(154,009)	-
<b>Total revenue</b>	<b>7,333,058</b>	<b>19,582</b>	<b>7,352,640</b>	<b>6,447,021</b>	<b>(46,009)</b>	<b>6,401,012</b>
<b>Expenses</b>						
Programs	7,018,347	-	7,018,347	5,565,881	-	5,565,881
Management and general	514,095	-	514,095	545,871	-	545,871
Fundraising	29,184	-	29,184	5,251	-	5,251
<b>Total expenses</b>	<b>7,561,626</b>	<b>-</b>	<b>7,561,626</b>	<b>6,117,003</b>	<b>-</b>	<b>6,117,003</b>
<b>Change in net assets</b>	<b>(228,568)</b>	<b>19,582</b>	<b>(208,986)</b>	<b>330,018</b>	<b>(46,009)</b>	<b>284,009</b>
<b>Net assets, beginning of year</b>	<b>295,698</b>	<b>41,275</b>	<b>336,973</b>	<b>(34,320)</b>	<b>87,284</b>	<b>52,964</b>
<b>Net assets, end of year</b>	<b>\$ 67,130</b>	<b>\$ 60,857</b>	<b>\$ 127,987</b>	<b>\$ 295,698</b>	<b>\$ 41,275</b>	<b>\$ 336,973</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

## Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)

### Statements of Cash Flows

<i>Years Ended December 31,</i>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (208,986)	\$ 284,009
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b>		
Depreciation	66,668	25,653
Loss on disposal of asset	30,013	1,020
Provision for doubtful accounts	(20,000)	(27,677)
<b>(Increase) decrease in:</b>		
Accounts receivable	(683,537)	664,220
Advances to local partners	358,805	(198,877)
Prepaid expenses	(29,823)	(17,862)
Deposits	-	2,676
<b>Increase (decrease) in:</b>		
Accounts payable and accrued expenses	60,483	409,642
Deferred revenue	1,053,098	934,521
Deferred rent	(37,358)	1,527
<b>Net cash provided by operating activities</b>	<b>589,363</b>	<b>2,078,852</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(301,740)	(77,938)
<b>Net increase in cash and cash equivalents</b>	<b>287,623</b>	<b>2,000,914</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,110,200</b>	<b>1,109,286</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,397,823</b>	<b>\$ 3,110,200</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**Rights and Resources Institute, Inc.  
(D/B/A Rights and Resources Group)**

**Notes to Financial Statements**

**1. Organization and significant accounting policies**

**Organization:** Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group) (RRG) is a non-profit organization incorporated on October 26, 2005, under the laws of the District of Columbia. RRG coordinates the Rights and Resources Initiative, a global coalition dedicated to advancing forest tenure, policy and market reforms. The goals of the initiative are to reduce rural poverty, strengthen forest governance, conserve and restore forest ecosystems, and achieve sustainable, forest-based economic growth. RRG also conducts strategic global analyses and collaborates with local partners to advance domestic reform, strengthens community networks, and convenes global and regional dialogues.

**Basis of accounting:** RRG maintains its records using the accrual basis of accounting.

**Basis of presentation:** Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions and reported as follows:

**Unrestricted net assets** – net assets that are not subject to donor-imposed stipulations.

**Board designated net assets** – unrestricted net assets that have been set aside as a reserve fund for three months of operating expenses.

**Temporarily restricted net assets** – net assets subject to donor-imposed stipulations that will be met either by actions of RRG and/or the passage of time.

**Cash and cash equivalents:** RRG considers all highly liquid investments and debt instruments whose original maturity is 90 days or less to be cash equivalents. RRG maintains balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk.

**Revenue recognition:**

**Grants and contracts:** Revenue is recognized for exchange transactions as the funds are expended. Amounts received in advance are deferred.

Revenue recognized on contracts for which billings have not been presented to customers at year end is included in accounts receivable on the statement of financial position. Unbilled receivables were \$654,958 and \$67,646 at December 31, 2011 and 2010, respectively.

**Rights and Resources Institute, Inc.  
(D/B/A Rights and Resources Group)**

**Notes to Financial Statements**

**1. Organization and significant accounting policies  
(continued)**

**Department for International Development (DFID):** The DFID grant revenue is recognized as the funds are expended. Amounts received in advance are deferred.

**Contributions:** RRG recognizes all unconditional contributions received as income in the period received or pledged. Unconditional contributions are reported as unrestricted, temporarily restricted or permanently restricted depending on the absence or existence of donor stipulations that limit the use of the contributions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Accounts receivable and allowance for doubtful accounts:** Receivables consist primarily of amounts due for unbilled grants and contracts. The face amount of accounts receivable is reduced by an allowance for doubtful accounts. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience and specific allowances for known troubled accounts. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. The balances of the allowance for the years ended December 31, 2011 and 2010 were \$47,677 and \$27,677, respectively.

**Advances to local partners:** Amounts advanced to local partner collaborators for projects.

**Property and equipment:** RRG capitalizes fixed assets over \$1,000 at cost. Donated equipment is recorded at its estimated value on the date of the donation. Depreciation is recorded using the straight-line method over estimated useful lives of three to ten years for furniture and fixtures and computer hardware and software. Leasehold improvements are depreciated over the lesser of the life of the lease or the life of the asset.



**Rights and Resources Institute, Inc.  
(D/B/A Rights and Resources Group)**

**Notes to Financial Statements**

**1. Organization and significant accounting policies  
(continued)**

**Functional allocation of expenditures:** The costs of providing various programs and other activities of RRG have been summarized on a functional basis in the accompanying Statements of Activities and Changes in Net Assets. Costs that can be identified with particular programs or support functions are charged directly to the program or function. Salaries and related costs have been allocated among the programs and supporting services based on actual time charged. Other allocable costs have been allocated to program services and to support services based upon management's estimates.

**Use of accounting 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications:** Certain 2010 balances have been reclassified to conform with the 2011 presentation.

**Tax status:** RRG has been determined to be exempt from federal income tax pursuant to Internal Revenue Code Section 501(c)(3), and is classified as an organization that is not a private foundation.

**Uncertainties in income taxes:** RRG evaluates uncertainty in income tax positions taken or expected to be taken on a tax return based on the more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2011 and 2010 there are no accruals for uncertain tax positions. If applicable, RRG records interest and penalties as a component of income tax expense. Tax years from December 31, 2008 through the current year remain open for examination by Federal and state authorities.

**Subsequent events:** Management has evaluated subsequent events for disclosure in these financial statements through July 9, 2012 which is the date the financial statements are available to be issued.

**Rights and Resources Institute, Inc.**  
**(D/B/A Rights and Resources Group)**

**Notes to Financial Statements**

**2. Property and equipment**

Property and equipment consists of the following at December 31:

	2011	2010
Leasehold improvements	\$ 269,468	\$ 53,363
Furniture and fixtures	36,218	19,689
Computer hardware and software	107,248	93,358
<b>Total property and equipment</b>	<b>412,934</b>	166,410
Less: Accumulated depreciation	(90,862)	(49,397)
<b>Net property and equipment</b>	<b>\$ 322,072</b>	\$ 117,013

Depreciation expense for the years ended December 31, 2011 and 2010 were \$66,668 and \$25,653, respectively.

**3. Commitments**

RRG leased office space under a lease that began July 1, 2006, for a period of 10 years. Initial rent payments were \$6,177 per month, with an escalation of 3% annually. RRG received an abatement of two months rent as an inducement to enter into the lease. Subsequently RRG negotiated a lease amendment for office space on the third floor to replace the initial space leased. RRG occupied the new space on May 1, 2011, the date that the amended lease terms began. The amended agreement expires June 30, 2016 with initial rent payments of \$11,391 per month, with an escalation of 3% annually. Rent expense is recorded on a straight-line basis, and the difference between cash paid and recorded rent is reflected as deferred rent on the accompanying statements of financial position. Rent expense for the years ended December 31, 2011 and 2010 under the lease were \$102,005 and \$82,207, respectively.

The following is a schedule of future minimum lease payments under the operating lease as of December 31, 2011:

2012	\$	149,433
2013		143,625
2014		147,926
2015		152,361
2016		77,699
	\$	671,044

**Rights and Resources Institute, Inc.  
(D/B/A Rights and Resources Group)**

**Notes to Financial Statements**

**4. Deferred revenue**

As of December 31, 2011 and 2010, deferred revenue represents grants and contracts received in advance for the following:

	<b>2011</b>	<b>2010</b>
Norwegian Agency for Development Cooperation, Government of Norway – Supporting Effective Investments and Interventions in Climate Change Mitigation in Forest Areas While Promoting Rights and Development	<b>\$ 1,509,911</b>	\$ 881,246
Norwegian Agency for Development Cooperation, Government of Norway – Core Contribution to the Rights and Resources Initiative	<b>130,394</b>	115,344
Swiss Agency for Development and Cooperation, Government of Switzerland – Core Contribution to the Rights and Resources Initiative	<b>380,467</b>	268,435
Swedish International Development Cooperation Agency – Accelerating Reforms in Forest Tenure and Governance to Meet Priority Global Challenges: Strategic Analysis, Narratives and Networks to Advance Local Rights and Development	<b>1,670,902</b>	1,240,141
The Ministry for Foreign Affairs of Finland – Accelerating Reforms in Forest Tenure and Governance in West and Central Africa	<b>11,349</b>	4,815
Department for International Development – Accelerating Reforms in Forest Tenure and Governance to Meet Priority Global Challenges: Strategic Analysis, Narratives and Networks to Advance Local Rights and Development	-	139,944
<b>Total deferred revenue</b>	<b>\$ 3,703,023</b>	<b>\$ 2,649,925</b>

**Rights and Resources Institute, Inc.  
(D/B/A Rights and Resources Group)**

**Notes to Financial Statements**

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- 5. Employee retirement plan** RRG provides a tax-deferred annuity plan for employees under Internal Revenue Code Section 401(k). Employees are eligible to defer a portion of their compensation immediately upon beginning employment, not to exceed statutory limits. Employees who are at least 18 years of age and who have been employed for at least one year are eligible to receive employer discretionary contributions. The percentage for matching contributions is determined annually at the discretion of RRG. Employees are immediately vested in a portion of employer contributions equal to 3% of salaries and wages, and become vested in the remainder of employer contributions upon completion of 1,000 hours of service within a 12-month period. RRG's contributions for the years ended December 31, 2011 and 2010 were \$62,710 and \$91,317, respectively.
- 6. Board designated net assets** The Board of Directors directed management to establish a designated balance using unrestricted net assets which are not required to be expended in connection with any particular grant. The intention is to accumulate a reserve to cover three months of general operating expenses. As of December 31, 2011 and 2010 management had identified and accumulated \$83,696 and \$58,696, respectively in such funds, which are reported as Board designated unrestricted net assets in the accompanying Statements of Financial Position.
- 7. Concentration** RRG received grants from four organizations that comprised 94% and 67% of total revenue during 2011 and 2010, respectively, and a receivable from one organization comprised 98% and 100% of accounts receivable at December 31, 2011 and 2010, respectively.
- 8. Line of credit** During 2009, RRG obtained a revolving line of credit of \$100,000. The purpose of the line is to provide short term funding when operating funds are found to be insufficient. The line of credit bears a fluctuating interest rate at prime which was 3.25% at December 31, 2011 and 2010. The line expires October 9, 2012 and is automatically renewed on an annual basis barring termination from either party at will. This line of credit was not used at any time during 2011 and 2010.



## Independent Auditor's Report on Supplementary Information

Board of Directors  
**Rights and Resources Institute, Inc.**  
**(D/B/A Rights and Resources Group)**  
Washington, DC

We have audited the financial statements of **Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)** as of and for the years ended December 31, 2011 and 2010, and our report thereon dated July 9, 2012, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rockville, Maryland  
July 9, 2012

805 King Farm Boulevard  
Suite 300  
Rockville, Maryland 20850

☎ 301.231.6200  
☎ 301.231.7630  
www.aronsonllc.com  
info@aronsonllc.com

**Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)**

**Schedule of Functional Expenses**

*Year Ended December 31, 2011*

	<b>Coordination</b>	<b>Communication &amp; Outreach</b>	<b>Country Initiatives</b>	<b>Networks</b>	<b>Thematic Programs</b>	<b>Total Programs</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and related expenses	\$ 308,602	\$ 183,581	\$ 646,776	\$ 80,946	\$ 313,618	\$ 1,533,523	\$ 81,017	\$ 18,949	\$ <b>1,633,489</b>
Consultants	133,612	18,478	53,095	58,882	170,933	435,000	186,651	1,200	<b>622,851</b>
Publications	13,632	132,801	19,016	606	88,522	254,577	6,100	-	<b>260,677</b>
Office expenses	1,028	4,010	4,155	228	4,153	13,574	143,091	853	<b>157,518</b>
Occupancy	24,755	14,726	51,881	6,493	25,157	123,012	6,499	1,520	<b>131,031</b>
Staff travel	65,021	45,817	78,233	41,734	102,738	333,543	9,561	3,361	<b>346,465</b>
Participant travel	101,803	6,652	25,241	56,072	278,153	467,921	3,736	2,528	<b>474,185</b>
Conference	55,820	368	2,532	61,884	166,609	287,213	6,238	-	<b>293,451</b>
Depreciation	12,595	7,492	26,397	3,304	12,800	62,588	3,307	773	<b>66,668</b>
Miscellaneous	240	509	20,644	368	795	22,556	67,895	-	<b>90,451</b>
Grants	45,222	2,500	3,098,620	15,000	323,498	3,484,840	-	-	<b>3,484,840</b>
<b>Total expenses</b>	<b>\$ 762,330</b>	<b>\$ 416,934</b>	<b>\$ 4,026,590</b>	<b>\$ 325,517</b>	<b>\$ 1,486,976</b>	<b>\$ 7,018,347</b>	<b>\$ 514,095</b>	<b>\$ 29,184</b>	<b>\$ 7,561,626</b>

Refer to accompanying Independent Auditor's Report on Supplementary Information.

**Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)**

**Schedule of Functional Expenses**

*Year Ended December 31, 2010*

	Coordination	Communication & Outreach	Country Initiatives	Networks	Thematic Programs	Total Programs	Management and General	Fundraising	Total
Salaries and related expenses	\$ 180,674	\$ 137,154	\$ 509,798	\$ 90,876	\$ 328,333	\$ 1,246,835	\$ 236,123	\$ 4,833	\$ 1,487,791
Consultants	127,124	72,780	66,142	67,598	239,463	573,107	113,204	-	686,311
Publications	-	77,650	-	-	1,840	79,490	2,448	-	81,938
Office expenses	574	2,452	4,308	1,422	5,852	14,608	86,428	-	101,036
Occupancy	12,531	9,513	35,358	6,303	22,772	86,477	16,377	335	103,189
Staff travel	23,609	7,225	121,628	46,774	64,676	263,912	3,127	-	267,039
Participant travel	57,802	17,256	37,163	163,285	108,327	383,833	12,831	-	396,664
Conference	55,418	9,463	114	24,280	72,793	162,068	14,331	-	176,399
Depreciation	3,115	2,365	8,791	1,567	5,661	21,499	4,071	83	25,653
Miscellaneous	80	71	218	57	53	479	56,376	-	56,855
Grants	11,580	500	2,423,769	25,000	272,724	2,733,573	555	-	2,734,128
<b>Total expenses</b>	<b>\$ 472,507</b>	<b>\$ 336,429</b>	<b>\$ 3,207,289</b>	<b>\$ 427,162</b>	<b>\$ 1,122,494</b>	<b>\$ 5,565,881</b>	<b>\$ 545,871</b>	<b>\$ 5,251</b>	<b>\$ 6,117,003</b>

Refer to accompanying Independent Auditor's Report on Supplementary Information.