

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

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2015



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

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Audited Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 13
Supplementary Information	
Independent Auditor's Report on Supplementary Information	14
Schedule of Functional Expenses	15



Independent Auditor's Report

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

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 financial statements of **Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)** (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2015, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the year 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 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 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 financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

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

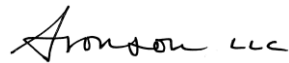
Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)** as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Errors

As described in Note 12 to the financial statements, certain errors including the understatement of prepaid expenses and deferred revenue, and the overstatement of grants and contract revenue, accounts receivable, and accounts payable and accrued expenses, were discovered by management in the current year. Accordingly, adjustments have been recorded to beginning net assets to correct these errors. Our opinion is not modified with respect to those matters.



Rockville, Maryland
April 26, 2016

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

Statement of Financial Position

<i>December 31,</i>	2015
Assets	
Current assets	
Cash and cash equivalents	\$ 4,482,480
Accounts receivable	1,038,106
Contributions receivable	1,050,000
Advances to local partners	665,777
Prepaid expenses	83,853
Total current assets	7,320,216
Property and equipment, net	96,216
Deposits	62,552
Total assets	\$ 7,478,984
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 1,107,633
Contributions payable	1,394,892
Deferred rent	4,894
Deferred revenue	2,055,173
Total current liabilities	4,562,592
Net assets	
Board designated unrestricted	958,696
Unrestricted	1,659,092
Total unrestricted	2,617,788
Temporarily restricted	298,604
Total net assets	2,916,392
Total liabilities and net assets	\$ 7,478,984

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)

Statement of Activities and Changes in Net Assets

<i>Year Ended December 31,</i>	2015		
	Unrestricted	Temporarily Restricted	Total
Revenue			
Grants and contracts	\$ 9,101,148	\$ -	\$ 9,101,148
Department for International Development grant	4,612,550	-	4,612,550
Contributions	2,650,000	220,000	2,870,000
Interest	3,633	-	3,633
Other revenue	9,962	-	9,962
Loss on foreign currency transactions	(83,080)	-	(83,080)
Net assets released from restrictions	167,378	(167,378)	-
Total revenue	16,461,591	52,622	16,514,213
Expenses			
Programs	13,221,272	-	13,221,272
Management and general	1,951,358	-	1,951,358
Fundraising	27,728	-	27,728
Total expenses	15,200,358	-	15,200,358
Change in net assets	1,261,233	52,622	1,313,855
Net assets, beginning of year, as previously reported	1,762,486	245,982	2,008,468
Correction of prior period errors (Note 12)	(405,931)	-	(405,931)
Net assets, beginning of year, restated	1,356,555	245,982	1,602,537
Net assets, end of year	\$ 2,617,788	\$ 298,604	\$ 2,916,392

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)

Statement of Cash Flows

<i>Year Ended December 31,</i>	2015
Cash flows from operating activities	
Change in net assets	\$ 1,313,855
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	100,444
(Increase) decrease in:	
Accounts receivable	(996,315)
Contributions receivable	(1,050,000)
Advances to local partners	(58,991)
Prepaid expenses	(8,131)
Deposits	(51,910)
Increase (decrease) in:	
Accounts payable and accrued expenses	100,379
Contributions payable	1,387,392
Deferred rent	(3,164)
Deferred revenue	(1,754,992)
Net cash used in operating activities	(1,021,433)
Cash flows from investing activities	
Purchase of property and equipment	(26,213)
Net decrease in cash and cash equivalents	(1,047,646)
Cash and cash equivalents, beginning of year	5,530,126
Cash and cash equivalents, end of year	\$ 4,482,480

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, strengthen community networks, and convene global and regional dialogues.

Basis of accounting: RRG maintains its records using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 unrestricted net assets – unrestricted net assets that have been designated by the board as a reserve fund to cover 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.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by RRG. As of December 31, 2015, RRG had no permanently restricted net assets.

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. As of December 31, 2015, cash held in a separate account as required by grant agreements totaled \$1,047,256. Because requirements are quickly met during the normal course of operations, the cash balances are not segregated for purposes of financial statement presentation.

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

Notes to Financial Statements

Accounts receivable and allowance for doubtful accounts: Receivables consist primarily of amounts due for unbilled grants and contracts and are expected to be billed and collected during the next fiscal year. 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. Management did not deem an allowance necessary as of December 31, 2015.

Contributions receivable: Contributions receivable consist of unconditional promises to give that are expected to be collected in future years. Contributions receivable are reported as either temporarily or permanently restricted support unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period. Contributions receivable are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the accompanying Statement of Activities and Changes in Net Assets. Contributions receivable are reviewed for collectability and a provision for doubtful pledges receivable is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Management deems balances included in contributions receivable to be fully collectable within one year and has determined that no allowance for doubtful accounts is required as of December 31, 2015.

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, computer hardware, and software. Leasehold improvements are amortized over the lesser of the life of the lease or the useful life of the asset.

Advances to local partners: Advance payments are made to local partner collaborators for projects. Expenses are recognized when project costs are incurred.

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

Notes to Financial Statements

Revenue recognition:

Grants and contracts: Revenue is recognized for exchange transactions (reciprocal transfers between two entities in which goods and services of equal value is exchanged) as allowable expenditures are incurred. Amounts received in advance are deferred.

RRG has been awarded grants from various foreign governments in their local currencies. Currency fluctuations are recorded as gains and losses on the Statement of Activities and Changes in Net Assets. Changes in exchange rates after the Statement of Financial Position date could have an effect on the balance of accounts receivables. Management has deemed that it is impracticable to determine and disclose the effects.

Revenue recognized 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 \$1,032,308 at December 31, 2015.

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

Contributions: Contributions are recognized as revenue when they are received or unconditionally promised. 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 and Changes in Net Assets as net assets released from restrictions. Conditional contributions are not recorded as revenue until the conditions are met.

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

Notes to Financial Statements

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 Statement 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.

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, 2015, 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, 2012 through the current year remain open for examination by federal and state authorities.

Use of accounting estimates: The preparation of financial statements in conformity with GAAP 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.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through April 26, 2016, which was the date the financial statements were 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:

	<u>2015</u>
Leasehold improvements	\$ 311,904
Furniture and fixtures	62,253
Computer hardware and software	194,610
Total property and equipment	568,767
Less: Accumulated depreciation and amortization	(472,551)
Net property and equipment	\$ 96,216

Depreciation and amortization expense for the year ended December 31, 2015 was \$100,444.

3. Commitments

RRG leases office space under a lease that 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 Statement of Financial Position. Rent expense for the year ended December 31, 2015 was \$254,266. Remaining future minimum lease payments under the operating lease as of December 31, 2015 are \$133,744 for 2016.

In January 2016, RRG entered into a new lease for office space located in Washington, D.C. The lease commences on July 1, 2016 for a term of 128 months. Initial rent payments are \$18,470 per month, with an escalation of 3% annually.

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

Notes to Financial Statements

4. Deferred revenue As of December 31, 2015, deferred revenue represents cash received in advance for the following grants and contracts:

	2015
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	\$ 134,248
Swedish International Development Cooperation Agency – International Land and Forest Tenure Facility- Leveraging Greater Public and Private Commitment and Finance to Secure Land Rights in the Forest and Rural Areas of the Developing World	773,860
The Ministry for Foreign Affairs of Finland – Accelerating Reforms in Forest Rights, Governance, and Markets to Meet Global Challenges to Reduce Poverty, Conflict and Climate Change	1,147,065
Total deferred revenue	\$ 2,055,173

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 year ended December 31, 2015 was \$215,573.

6. Related party transactions In 2015, RRG had 10 contracts with related parties (entities or individuals affiliated with RRG’s Board of Directors or management). During 2015, these agreements totaled \$533,978 in value, to be paid to the related parties for consultant fees and collaborative agreements. As of December 31, 2015, \$11,146 was included in accounts payable and accrued expenses for services provided by related parties, and \$55,546 had been paid to related parties in advance of services performed and was included in advances to local partners on the Statement of Financial Position.

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

Notes to Financial Statements

7. 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, 2015, management had identified and accumulated \$958,696 in such funds, which are reported as Board designated unrestricted net assets in the accompanying Statement of Financial Position.

8. Temporarily restricted net assets Temporarily restricted net assets are available for the following purposes at December 31:

	2015
Providing Gender Justice and Women’s Rights in Land and Forest Tenure Regimes	\$ 252,622
Other programs	45,982
Temporarily restricted net assets	\$ 298,604

9. Net assets released from restriction Net assets released from donor restriction by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by the donor, are as follows for the year ended December 31:

	2015
Providing Gender Justice and Women’s Rights in Land and Forest Tenure Regimes	\$ 147,378
Other programs	20,000
Temporarily restricted net assets releases	\$ 167,378

10. Concentration Revenue recognized on grants from three organizations comprised 73% of total revenue during 2015. Unbilled receivables from one organization comprised 86% of accounts receivable at December 31, 2015. An unconditional promise to give from one organization comprised 95% of contributions receivable at December 31, 2015.

11. Line of credit RRG has access to a \$100,000 revolving line of credit. 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 plus 3.50%. The rate was 6.75% at December 31, 2015. The line expires October 9, 2016 and is automatically renewed on an annual basis barring termination by either party at will. This line of credit was not used at any time during 2015.

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

Notes to Financial Statements

12. Correction of errors

Management has determined that certain amounts incurred on cost reimbursement grants were recognized as grants and contracts revenue in 2014 for services performed in 2015. As a result, prepaid expenses and deferred revenue were understated, and grants and contract revenue, accounts receivable, and accounts payable and accrued expenses were overstated due to certain revenues and expenses being recognized in the incorrect period. The total effects on the ending net asset balance and on the change in net assets previously reported as of and for the year ended December 31, 2014 was \$405,931.

RRG corrected these errors by adjusting the beginning net assets as of January 1, 2015. The following captions on the Statement of Activities and Changes in Net Assets were affected:

Caption per Statement of Activities and Changes in Net Assets	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Net assets, beginning of year	\$ 1,762,486	\$ 245,982	\$ 2,008,468
Adjustment due to overstatement of grants and contracts revenue	(436,005)	-	(436,005)
Adjustment for expenses recognized in the incorrect period	30,074	-	30,074
Net assets, beginning of year, restated	\$ 1,356,555	\$ 245,982	\$ 1,602,537



Independent Auditor's Report on Supplementary Information

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

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 financial statements of **Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)** as of and for the year ended December 31, 2015, and our report thereon dated April 26, 2016, which included an emphasis-of-matter paragraph relating to the correction of prior period errors, expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses is presented for purposes of additional analysis and is 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.

Aronson LLC

Rockville, Maryland
April 26, 2016

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

Schedule of Functional Expenses

Year Ended December 31, 2015

	Coalition and Communications Programs	Regional Programs	Strategic Analysis Global Engagement	International Land Forest Tenure Facility	Total Programs	Management and General	Fundraising	Total Expenses
Salaries and related expenses	\$ 659,598	\$ 799,878	\$ 605,434	\$ 262,278	\$ 2,327,188	\$ 1,454,502	\$ 26,809	\$ 3,808,499
Consultants	316,799	284,067	1,171,283	467,994	2,240,143	72,095	-	2,312,238
Publications and other media	350,289	9,351	10,635	108,751	479,026	3,792	-	482,818
Office expenses	10,170	15,339	19,994	1,272	46,775	181,920	-	228,695
Occupancy	55,885	121,486	53,976	23,142	254,489	47,423	673	302,585
Staff travel	103,665	129,188	39,160	43,111	315,124	22,106	23	337,253
Participant travel	228,266	12,097	31,078	28,775	300,216	1,346	-	301,562
Conference	425,334	1,270	75,623	2,556	504,783	8,933	-	513,716
Depreciation and amortization	18,551	40,328	17,918	7,682	84,479	15,742	223	100,444
Miscellaneous	5,228	1,174	60	690	7,152	143,499	-	150,651
Grants	128,751	3,596,230	198,746	2,738,170	6,661,897	-	-	6,661,897
Total expenses	\$ 2,302,536	\$ 5,010,408	\$ 2,223,907	\$ 3,684,421	\$ 13,221,272	\$ 1,951,358	\$ 27,728	\$ 15,200,358

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