

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

**AUDITED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**



**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, D.C.

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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 Statements of Financial Position as of December 31, 2017 and 2016, and the related Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 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 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.

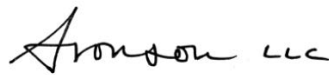
## Independent Auditor's Report (Continued)

### *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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Correction of Error*

As discussed in Note 14 to the financial statements, a presentation error resulting in the mislabeling of program services on the 2017 Statement of Functional Expenses was discovered by management subsequent to issuance of the 2017 financial statements. Accordingly, the amounts reported for individual program service expenses have been restated in the 2017 financial statements now presented. Our opinion is not modified with respect to that matter.



Rockville, Maryland  
August 9, 2018

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

### Statements of Financial Position

<i>December 31,</i>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,417,729	\$ 985,811
Accounts receivable	705,952	1,679,942
Contributions receivable	2,237,498	1,000,000
Advances to local partners	130,958	418,252
Prepaid expenses	98,400	95,334
<b>Total current assets</b>	<b>8,590,537</b>	<b>4,179,339</b>
<b>Contributions receivable, net of current portion and discount</b>	<b>1,853,814</b>	<b>-</b>
<b>Property and equipment, net</b>	<b>598,943</b>	<b>535,879</b>
<b>Deposits</b>	<b>56,375</b>	<b>58,910</b>
<b>Total assets</b>	<b>\$ 11,099,669</b>	<b>\$ 4,774,128</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Note payable - line of credit	\$ 123	\$ 94,583
Accounts payable and accrued expenses	1,329,245	1,228,897
Contributions payable	1,490,943	5,000
Deferred revenue	3,359,077	1,163,391
<b>Total current liabilities</b>	<b>6,179,388</b>	<b>2,491,871</b>
<b>Deferred rent - long term</b>	<b>409,039</b>	<b>379,471</b>
<b>Total liabilities</b>	<b>6,588,427</b>	<b>2,871,342</b>
<b>Net assets</b>		
Board designated unrestricted	1,258,696	1,258,696
Unrestricted	(106,963)	364,283
<b>Total unrestricted</b>	<b>1,151,733</b>	<b>1,622,979</b>
Temporarily restricted	3,359,509	279,807
<b>Total net assets</b>	<b>4,511,242</b>	<b>1,902,786</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,099,669</b>	<b>\$ 4,774,128</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>	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue</b>						
Grants and contracts	\$ 3,990,168	\$ -	\$ 3,990,168	\$ 6,160,122	\$ -	\$ 6,160,122
Department for International Development grants	3,057,423	-	3,057,423	3,302,048	-	3,302,048
Norwegian Agency for Development Cooperation grants	2,556,088	-	2,556,088	514,803	-	514,803
Contributions	1,775,000	3,959,434	5,734,434	1,700,000	500,000	2,200,000
Interest	1,386	-	1,386	1,437	-	1,437
Other revenue	1,509	-	1,509	2,268	-	2,268
Loss on foreign currency transactions	(85,191)	-	(85,191)	(109,015)	-	(109,015)
Loss on disposal of property and equipment	-	-	-	(10,474)	-	(10,474)
Net assets released from restrictions	879,732	(879,732)	-	518,797	(518,797)	-
<b>Total revenue</b>	<b>12,176,115</b>	<b>3,079,702</b>	<b>15,255,817</b>	<b>12,079,986</b>	<b>(18,797)</b>	<b>12,061,189</b>
<b>Expenses</b>						
Programs	11,332,671	-	11,332,671	11,277,909	-	11,277,909
Management and general	1,231,279	-	1,231,279	1,753,171	-	1,753,171
Fundraising	83,411	-	83,411	43,715	-	43,715
<b>Total expenses</b>	<b>12,647,361</b>	<b>-</b>	<b>12,647,361</b>	<b>13,074,795</b>	<b>-</b>	<b>13,074,795</b>
<b>Change in net assets</b>	<b>(471,246)</b>	<b>3,079,702</b>	<b>2,608,456</b>	<b>(994,809)</b>	<b>(18,797)</b>	<b>(1,013,606)</b>
<b>Net assets, beginning of year</b>	<b>1,622,979</b>	<b>279,807</b>	<b>1,902,786</b>	<b>2,617,788</b>	<b>298,604</b>	<b>2,916,392</b>
<b>Net assets, end of year</b>	<b>\$ 1,151,733</b>	<b>\$ 3,359,509</b>	<b>\$ 4,511,242</b>	<b>\$ 1,622,979</b>	<b>\$ 279,807</b>	<b>\$ 1,902,786</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)**

**Statement of Functional Expenses**

<i>Year Ended December 31, 2017</i>	<b>(Restated)</b>	<b>(Restated)</b>	<b>(Restated)</b>						
	<b>Coalition and Communications Programs</b>	<b>Regional Programs</b>	<b>Strategic Analysis Global Engagement</b>	<b>International Land Forest Tenure Facility</b>	<b>Total Programs</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>	
Salaries and related expenses	\$ 791,338	\$ 658,846	\$ 674,395	\$ 542,602	\$ 2,667,181	\$ 753,725	\$ 68,287	\$ 3,489,193	
Consultants	239,972	590,662	995,213	890,629	2,716,476	93,739	-	2,810,215	
Publications and other media	278,182	5,555	3,769	136,420	423,926	1,942	-	425,868	
Office expenses	33,438	8,836	9,442	5,364	57,080	215,165	-	272,245	
Occupancy	42,934	74,290	45,225	88,432	250,881	27,250	1,847	279,978	
Staff travel	85,716	110,271	84,433	44,969	325,389	27,181	12,688	365,258	
Participant travel	93,127	46,390	3,415	108,209	251,141	618	-	251,759	
Conference	235,801	6,975	17,132	136,541	396,449	4,522	-	400,971	
Depreciation and amortization	13,694	23,694	14,424	28,205	80,017	8,691	589	89,297	
Miscellaneous	120	163	55	25,758	26,096	98,446	-	124,542	
Grants	125,080	1,830,111	195,383	1,987,461	4,138,035	-	-	4,138,035	
<b>Total expenses</b>	<b>\$ 1,939,402</b>	<b>\$ 3,355,793</b>	<b>\$ 2,042,886</b>	<b>\$ 3,994,590</b>	<b>\$ 11,332,671</b>	<b>\$ 1,231,279</b>	<b>\$ 83,411</b>	<b>\$ 12,647,361</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)**

**Statement of Functional Expenses**

*Year Ended December 31, 2016*

	<b>Coalition and Communications Programs</b>	<b>Regional Programs</b>	<b>Strategic Analysis Global Engagement</b>	<b>International Land Forest Tenure Facility</b>	<b>Total Programs</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Salaries and related expenses	\$ 718,324	\$ 773,623	\$ 750,866	\$ 565,366	\$ 2,808,179	\$ 1,089,629	\$ 42,173	\$ 3,939,981
Consultants	98,811	406,898	522,646	1,064,299	2,092,654	244,076	-	2,336,730
Publications and other media	311,799	1,193	6,743	75,641	395,376	76	-	395,452
Office expenses	20,195	9,975	13,216	6,086	49,472	195,156	4	244,632
Occupancy	43,030	126,671	51,595	96,627	317,923	49,421	1,232	368,576
Staff travel	57,185	162,358	68,481	45,912	333,936	26,860	-	360,796
Participant travel	85,282	23,189	28,225	107,141	243,837	7	-	243,844
Conference	115,911	11,837	57,526	143,001	328,275	5,714	-	333,989
Depreciation and amortization	10,673	31,418	12,797	23,967	78,855	12,258	306	91,419
Miscellaneous	1,526	3,146	2,404	35,755	42,831	129,974	-	172,805
Grants	63,705	2,943,167	315,779	1,263,920	4,586,571	-	-	4,586,571
<b>Total expenses</b>	<b>\$ 1,526,441</b>	<b>\$ 4,493,475</b>	<b>\$ 1,830,278</b>	<b>\$ 3,427,715</b>	<b>\$ 11,277,909</b>	<b>\$ 1,753,171</b>	<b>\$ 43,715</b>	<b>\$ 13,074,795</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>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,608,456	\$ (1,013,606)
<b>Adjustments to reconcile change in net assets to net cash provided (used) in operating activities</b>		
Depreciation and amortization	89,297	91,419
Loss on disposal of property and equipment	-	10,474
Change in discount on long-term contributions receivable	146,186	-
<b>(Increase) decrease in:</b>		
Accounts receivable	973,990	(641,836)
Contributions receivable	(3,237,498)	50,000
Advances to local partners	287,294	247,525
Prepaid expenses	(3,066)	(11,481)
Deposits	2,535	3,642
<b>Increase (decrease) in:</b>		
Accounts payable and accrued expenses	100,348	121,264
Contributions payable	1,485,943	(1,389,892)
Deferred rent	29,568	374,577
Deferred revenue	2,195,686	(891,782)
<b>Net cash provided (used) by operating activities</b>	<b>4,678,739</b>	<b>(3,049,696)</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(152,361)	(541,556)
<b>Cash flows from financing activities</b>		
Draws on line of credit	-	94,583
Payments on line of credit	(94,460)	-
<b>Net cash (used) provided by financing activities</b>	<b>(94,460)</b>	<b>94,583</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,431,918</b>	<b>(3,496,669)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>985,811</b>	<b>4,482,480</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,417,729</b>	<b>\$ 985,811</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**

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**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, 2017 and 2016, 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. Cash held in a separate account per the memorandum of understanding with the Tenure Facility totaled \$4,589,254 as of December 31, 2017 (Note 8). Cash held in a separate account as required by grant agreements totaled \$359,002 and \$139,913 as of December 31, 2017 and 2016, respectively. 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**

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**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, 2017 and 2016.

**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 Statements 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 and has determined that no allowance for doubtful accounts is required as of December 31, 2017 and 2016.

**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 amortized over the lesser of the term 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**

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**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 Statements of Activities and Changes in Net Assets. Changes in exchange rates after the Statements of Financial Position date could have an effect on the balance of accounts receivable. 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 Statements of Financial Position. Unbilled receivables were \$232,334 and \$1,574,396 as of December 31, 2017 and 2016, respectively.

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

**Norwegian Agency for Development Cooperation (Norad) grants:** The Norad 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 Statements 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 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.

**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, 2017, 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, 2014 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 August 9, 2018, which was the date the financial statements were available to be issued.

**2. Accounts receivable**

Accounts receivable at December 31, 2017 and 2016, consist of accounts due under grants from foreign governments and other contractual receivables as follows:

	2017	2016
Unbilled receivables	\$ 232,334	\$ 1,574,396
Billed receivables	473,618	105,546
Total	\$ 705,952	\$ 1,679,942

**Rights and Resources Institute, Inc.**  
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**Notes to Financial Statements**

Unbilled receivables relate to revenue recognized on grants from foreign governments for which billings have not been presented to the grantor.

**3. Contributions receivable**

Contributions receivable are summarized as follows at December 31:

	2017	2016
Contributions receivable to be collected in:		
Less than one year	\$ 2,237,498	\$ 1,000,000
One year to five years	2,000,000	-
Total contributions receivable	4,237,498	1,000,000
Less: discount	(146,186)	-
<b>Total</b>	<b>\$ 4,091,312</b>	<b>\$ 1,000,000</b>

Long-term contributions receivable are discounted using a rate of 2.54%.

**4. Property and equipment**

Property and equipment consists of the following at December 31:

	2017	2016
Leasehold improvements	\$ 384,381	\$ 331,592
Furniture and fixtures	174,997	170,934
Computer hardware and software	298,248	202,739
<b>Total property and equipment</b>	<b>857,626</b>	<b>705,265</b>
Less: Accumulated depreciation and amortization	(258,683)	(169,386)
<b>Net property and equipment</b>	<b>\$ 598,943</b>	<b>\$ 535,879</b>

Depreciation and amortization expense was \$89,297 and \$91,419 for the years ended December 31, 2017 and 2016, respectively.

**5. Commitments**

RRG leased office space under a lease that expired June 30, 2016 with initial rent payments of \$11,391 per month, with an escalation of 3% annually. In January 2017, RRG entered into a new lease for office space located in Washington, D.C. The lease commenced on July 1, 2017 for a term of 128 months. Initial rent payments are \$18,470 per month, with an escalation of 3% annually. The lease agreement contains a rent abatement of 50 percent for the first 10 months. Rent expense is recorded on a straight-line basis, and the difference between the sum of cash paid, and recorded rent and tenant improvements is reflected as deferred rent on the accompanying Statements of Financial Position.

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**Notes to Financial Statements**

The following is a schedule of future minimum lease payments under the operating lease as of December 31, 2017:

2018	\$	231,714
2019		238,665
2020		245,825
2021		253,200
2022		260,796
Thereafter		1,173,447
<b>Total</b>		<b>\$ 2,403,647</b>

Rent expense under the operating leases was \$217,839 and \$279,636 for the years ended December 31, 2017 and 2016, respectively.

**6. Deferred revenue**

As of December 31, 2017 and 2016, deferred revenue represents cash received in advance for the following grants and contracts:

	<b>2017</b>		<b>2016</b>
Norwegian Agency for Development Cooperation, Government of Norway – Securing Indigenous People’s and Local Community Land Rights and Saving Forests at Global Scale: The International Land and Forest Tenure Facility	<b>\$ 555,343</b>	\$	-
Norwegian Agency for Development Cooperation, Government of Norway – Promoting Forest Tenure and Governance Reforms as Pre-requisites to the Effective Implementation of REDD+	<b>268,621</b>		313,267
Swedish International Development Cooperation Agency – Agreement on Core Support to Rights and Resources Initiative	-		49,654
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	<b>2,530,907</b>		782,403

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**Notes to Financial Statements**

	2017	2016
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	461	18,067
Canadian Forest Service – Indigenous Economic Development	3,745	-
<b>Total deferred revenue</b>	<b>\$ 3,359,077</b>	<b>\$ 1,163,391</b>

**7. 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 discretionary 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 were \$171,337 and \$204,003 for the years ended December 31, 2017 and 2016, respectively.

**8. Related party transactions**

In 2017 and 2016, RRG had 4 and 10 contracts, respectively, with related parties (entities or individuals affiliated with RRG's Board of Directors or management). During 2017 and 2016, these agreements totaled \$420,477 and \$630,847 in value, respectively, to be paid to the related parties for consultant fees and collaborative agreements. As of December 31, 2017 and 2016, \$49,453 and \$122,731 was included in accounts payable and accrued expenses for services provided by related parties, and \$1,833 and \$13,181 had been paid to related parties in advance of services performed and was included in advances to local partners on the Statements of Financial Position, respectively.



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

**Notes to Financial Statements**

RRG has been incubating the International Collection Foundation for Ground and Skogsrattigheter (“the Tenure Facility”) since 2013, serving as legal, financial, and technical host. The Tenure Facility applied for registration in Stockholm, Sweden on December 6, 2016 and became a separate registered entity on January 1, 2017. In November 2017, RRG and the Tenure Facility entity entered into a memorandum of understanding which outlines the understanding of services provided by RRG to the Tenure Facility, board participation of the Executive Director of the Tenure Facility on RRG’s Board of Directors and participation of the President of RRG on the Tenure Facility’s Board of Directors. The Tenure Facility Board Members have not had any direct influence on RRG funding decisions. During 2017 there were no transactions between the Tenure Facility and RRG. RRG does not exercise control over the Tenure Facility therefore the Tenure Facility is not consolidated with RRG.

**9. 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. Management had identified and accumulated \$1,258,696 in such funds as of December 31, 2017 and 2016, which are reported as Board designated unrestricted net assets in the accompanying Statements of Financial Position.

**10. Temporarily restricted net assets**

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

	<b>2017</b>	<b>2016</b>
Providing Gender Justice and Women’s Rights in Land and Forest Tenure Regimes	\$ -	\$ 1,526
Capacity building	<b>1,138,304</b>	232,299
International Land and Forest Tenure Facility	<b>221,409</b>	-
Other programs	<b>45,982</b>	45,982
Time restrictions	<b>1,953,814</b>	-
<b>Temporarily restricted net assets</b>	<b>\$ 3,359,509</b>	<b>\$ 279,807</b>

**Rights and Resources Institute, Inc.**  
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**Notes to Financial Statements**

**11. 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 years ended December 31:

	2017	2016
Providing Gender Justice and Women’s Rights in Land and Forest Tenure Regimes	\$ 221,526	\$ 251,096
Capacity building	293,995	67,701
International Land and Forest Tenure Facility	364,211	200,000
<b>Temporarily restricted net assets releases</b>	<b>\$ 879,732</b>	<b>\$ 518,797</b>

**12. Concentrations** Revenue recognized on grants from three organizations comprised 56% of total revenue during 2017. Revenue recognized on grants from two organizations comprised 69% of total revenue during 2016. Billed and unbilled receivables from one organization comprised 97% and 92% of total accounts receivable at December 31, 2017 and 2016, respectively. Contributions from two organizations comprised 87% and 91% of total contributions revenue during 2017 and 2016, respectively. Unconditional promises to give from two organizations comprised 94% of contributions receivable at December 31, 2017. Unconditional promises to give from one organization comprised 100% of contributions receivable at December 31, 2016.

**13. 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 8.00% at December 31, 2017. The line expires October 9, 2018 and is automatically renewed on an annual basis barring termination by either party at will. The balance of the line of credit was \$123 and \$94,583 at December 31, 2017 and 2016, respectively.

**14. Correction of error** Management has determined that program service expenses previously presented on the 2017 Statement of Functional Expenses were mis-labeled.

RRG corrected this error by adjusting the 2017 Statement of Functional Expenses. The following functional expense columns were corrected (Only total expense line shown):

Caption per the Statement of Functional Expenses	Coalition and Communications Program	Regional Programs	Strategic Analysis Global Engagement
Total expenses	\$ 1,939,402	\$ 3,355,793	\$ 2,042,886