

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

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

YEARS ENDED DECEMBER 31, 2018 AND 2017



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

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Independent Auditor's Report

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

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We have audited the accompanying consolidated financial statements of **Rights and Resources Institute, Inc. and Affiliate** (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of December 31, 2018 and 2017, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Rights and Resources Institute, Inc. and Affiliate** as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Aronson LLC

Rockville, Maryland
April 25, 2019

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

Consolidated Statements of Financial Position

<i>December 31,</i>	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 8,410,225	\$ 5,417,729
Accounts receivable	329,646	705,952
Contributions receivable	1,272,323	2,237,498
Advances to local partners	395,090	130,958
Prepaid expenses	101,334	98,400
Total current assets	10,508,618	8,590,537
Contributions receivable, net of current portion and discount	926,301	1,853,814
Property and equipment, net	473,042	598,943
Deposits	37,905	56,375
Total assets	\$ 11,945,866	\$ 11,099,669
Liabilities and Net Assets		
Current liabilities		
Note payable - line of credit	\$ 100,243	\$ 123
Accounts payable and accrued expenses	1,332,733	1,329,245
Contributions payable	1,490,943	1,490,943
Deferred revenue	5,206,884	3,359,077
Total current liabilities	8,130,803	6,179,388
Deferred rent - long term	394,920	409,039
Total liabilities	8,525,723	6,588,427
Net assets		
Net assets without donor restrictions		
Board designated	1,258,696	1,258,696
Undesignated	47,353	(106,963)
Total net assets without donor restrictions	1,306,049	1,151,733
Net assets with donor restrictions	2,114,094	3,359,509
Total net assets	3,420,143	4,511,242
Total liabilities and net assets	\$ 11,945,866	\$ 11,099,669

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

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

Consolidated Statements of Activities and Changes in Net Assets

<i>Years Ended December 31,</i>	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Grants and contracts	\$ 5,387,056	\$ -	\$ 5,387,056	\$ 3,990,168	\$ -	\$ 3,990,168
Department for International Development grants	2,310,634	-	2,310,634	3,057,423	-	3,057,423
Norwegian Agency for Development Cooperation grants	1,937,096	-	1,937,096	2,556,088	-	2,556,088
Contributions	272,497	437,678	710,175	1,775,000	3,959,434	5,734,434
Interest	30,021	-	30,021	1,386	-	1,386
Other revenue	5,880	-	5,880	1,509	-	1,509
Loss on foreign currency transactions	(78,864)	-	(78,864)	(85,191)	-	(85,191)
Net assets released from restrictions	1,683,093	(1,683,093)	-	879,732	(879,732)	-
Total revenue	11,547,413	(1,245,415)	10,301,998	12,176,115	3,079,702	15,255,817
Expenses						
Programs	10,195,173	-	10,195,173	11,332,671	-	11,332,671
Management and general	1,004,115	-	1,004,115	1,231,279	-	1,231,279
Fundraising	193,809	-	193,809	83,411	-	83,411
Total expenses	11,393,097	-	11,393,097	12,647,361	-	12,647,361
Change in net assets	154,316	(1,245,415)	(1,091,099)	(471,246)	3,079,702	2,608,456
Net assets, beginning of year	1,151,733	3,359,509	4,511,242	1,622,979	279,807	1,902,786
Net assets, end of year	\$ 1,306,049	\$ 2,114,094	\$ 3,420,143	\$ 1,151,733	\$ 3,359,509	\$ 4,511,242

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

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

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	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	\$ 761,162	\$ 354,494	\$ 918,582	\$ 1,041,082	\$ 3,075,320	\$ 500,027	\$ 112,667	\$ 3,688,014
Consultants	91,482	176,584	1,115,653	510,056	1,893,775	216,435	72,177	2,182,387
Publications and other media	218,063	4,031	45,687	160,631	428,412	5,527	99	434,038
Office expenses	15,799	2,874	14,169	4,155	36,997	85,264	-	122,261
Occupancy	27,507	30,304	64,205	76,110	198,126	19,468	3,766	221,360
Staff travel	60,886	93,237	94,416	78,777	327,316	8,774	2,845	338,935
Participant travel	104,342	28,118	78,286	81,503	292,249	-	-	292,249
Conference	119,089	2,862	78,474	50,837	251,262	3,332	-	254,594
Depreciation and amortization	16,175	17,819	37,753	44,754	116,501	11,447	2,215	130,163
Miscellaneous	4,719	895	444	3,500	9,558	153,841	40	163,439
Grants	-	848,166	852,421	1,865,070	3,565,657	-	-	3,565,657
Total expenses	\$ 1,419,224	\$ 1,559,384	\$ 3,300,090	\$ 3,916,475	\$ 10,195,173	\$ 1,004,115	\$ 193,809	\$ 11,393,097

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

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

Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	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	\$ 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
Total expenses	\$ 1,939,402	\$ 3,355,793	\$ 2,042,886	\$ 3,994,590	\$ 11,332,671	\$ 1,231,279	\$ 83,411	\$ 12,647,361

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

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

Consolidated Statements of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (1,091,099)	\$ 2,608,456
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	130,163	89,297
Loss on disposal of property and equipment	638	-
Change in discount on long-term contributions receivable	(72,487)	146,186
(Increase) decrease in:		
Accounts receivable	376,306	973,990
Contributions receivable	1,965,175	(3,237,498)
Advances to local partners	(264,132)	287,294
Prepaid expenses	(2,934)	(3,066)
Deposits	18,470	2,535
Increase (decrease) in:		
Accounts payable and accrued expenses	3,488	100,348
Contributions payable	-	1,485,943
Deferred rent	(14,119)	29,568
Deferred revenue	1,847,807	2,195,686
Net cash provided by operating activities	2,897,276	4,678,739
Cash flows from investing activities		
Purchases of property and equipment	(4,900)	(152,361)
Cash flows from financing activities		
Draws on line of credit	100,120	-
Payments on line of credit	-	(94,460)
Net cash provided (used) by financing activities	100,120	(94,460)
Net increase in cash and cash equivalents	2,992,496	4,431,918
Cash and cash equivalents, beginning of year	5,417,729	985,811
Cash and cash equivalents, end of year	\$ 8,410,225	\$ 5,417,729
Supplemental disclosures		
Interest paid	\$ 6,008	\$ 3,560
Taxes paid	\$ 1,093	\$ -

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

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

Notes to Consolidated Financial Statements

1. Organization and significant accounting policies

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

On September 6, 2018, Rights and Resources Coalition Institute was incorporated under the Canada Not-for-profit Corporations Act. Its purpose is to create reform and educate indigenous peoples, local communities and rural women of their rights to participate in the political process that regulates land use and to establish and secure local ownership of forest and land.

The consolidated financial statements include the accounts of Rights and Resources Institute, Inc. and its affiliate, Rights and Resources Coalition Institute, which are collectively referred to herein as the “Organization” or “RRG”. All significant intercompany balances and transactions have been eliminated in consolidation.

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:

Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations.

Board designated net assets – net assets without restriction that have been designated by the board as a reserve fund to cover three months of operating expenses.

Net assets with donor restrictions – net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of RRG and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained permanently by RRG. There were no net assets with permanent donor restrictions as of December 31, 2018 and 2017.

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

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 \$6,234,865 and \$4,589,254 as of December 31, 2018 and 2017, respectively (Note 9). Cash held in a separate account as required by grant agreements totaled \$697,637 and \$359,002 as of December 31, 2018 and 2017, respectively. Because requirements are quickly met during the normal course of operations, the cash balances are not segregated for purposes of financial statement presentation.

Accounts receivable and allowance for doubtful accounts: Receivables consist primarily of amounts due from grants and contracts and are expected to be 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, 2018 and 2017.

Contributions receivable: Contributions receivable consist of unconditional promises to give that are expected to be collected in future years. Contributions receivable are reported as net assets with donor restrictions 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 Consolidated 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, 2018 and 2017.

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

Notes to Consolidated Financial Statements

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.

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 Consolidated Statements 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 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 Consolidated Statements of Financial Position. Unbilled receivables were \$24,560 and \$232,334 as of December 31, 2018 and 2017, 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.

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

Notes to Consolidated Financial Statements

Contributions: Contributions are recognized as revenue when they are received or unconditionally promised. Unconditional contributions are reported as net assets without donor restrictions or net assets with donor restrictions based 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, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the Consolidated 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.

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 Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Costs that can be identified with particular programs or support functions are charged directly to the program or function.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy expenses	Time and effort
Depreciation	Time and effort

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.

The RRI is subject to taxes on unrelated business activities. Under provisions contained in the 2017 Tax Cuts and Jobs Act that became effective on January 1, 2018, a business deduction for certain qualified transportation fringes (QTF) is no longer available to tax-exempt organizations. The IRC provides that a tax-exempt organization's unrelated business taxable income (UBTI) is increased by the amount of the QTF expense that is nondeductible under the IRC. This requires RRI to add the nondeductible amount associated with providing its employees with certain transportation fringe benefits to its UBTI. Income tax expenses totaled \$1,093 for the year ended December 31, 2018.

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

Notes to Consolidated Financial Statements

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, 2018, 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, 2015 through the current year remain open for examination by federal and state authorities.

Use of accounting estimates: The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently adopted accounting standards: On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. RRG has adopted ASU 2016-14 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. ASU 2016-14 contains limited retroactive restatement requirements. RRG has exercised the option to omit the prior year liquidity and availability of resources footnote.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through April 25, 2019, which was the date the financial statements were available to be issued.

2. Liquidity and availability of resources

The following represents RRG's financial assets at December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	\$ 8,410,225
Accounts receivable	329,646
Contributions receivable	2,198,624
	<hr/>
Total financial assets	10,938,495

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

Notes to Consolidated Financial Statements

Less amounts not available to be used within one year:	
Cash held in a separate account as required by grant agreements	(679,637)
Cash held in a separate account per the memorandum of understanding with the Tenure Facility	(6,234,865)
Donor purpose restrictions	(396,942)
Donor time restrictions in excess of one year, net of discount	(926,301)
Board designations	(1,258,696)
Total	(9,496,441)

Financial assets available to meet general expenditures over the next twelve months	\$ 1,442,054
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RRG's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1.5 million). The board designated reserve is available for operating purposes, which includes general expenditures, with approval from the Board of Directors. RRG has a \$100,000 line of credit available to meet cash flow needs.

3. Accounts receivable

Accounts receivable at December 31, 2018 and 2017, consist of accounts due under grants from foreign governments and other contractual receivables as follows:

	2018	2017
Unbilled receivables	\$ 24,560	\$ 232,334
Billed receivables	305,086	473,618
Total	\$ 329,646	\$ 705,952

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

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

4. Contributions receivable Contributions receivable are summarized as follows at December 31:

	2018	2017
Contributions receivable to be collected in:		
Less than one year	\$ 1,272,323	\$ 2,237,498
One year to five years	1,000,000	2,000,000
Total contributions receivable	2,272,323	4,237,498
Less: discount	(73,699)	(146,186)
Total	\$ 2,198,624	\$ 4,091,312

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

5. Property and equipment Property and equipment consists of the following at December 31:

	2018	2017
Leasehold improvements	\$ 384,381	\$ 384,381
Furniture and fixtures	176,733	174,997
Computer hardware and software	297,973	298,248
Total property and equipment	859,087	857,626
Less: Accumulated depreciation and amortization	(386,045)	(258,683)
Net property and equipment	\$ 473,042	\$ 598,943

Depreciation and amortization expense was \$130,163 and \$89,297 for the years ended December 31, 2018 and 2017, respectively.

6. Commitments January 2017, RRG entered into a 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 were \$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.

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

The following is a schedule of future minimum lease payments under the operating lease as of December 31, 2018:

2019	\$	238,665
2020		245,825
2021		253,200
2022		260,796
2023		268,620
Thereafter		904,828
Total		\$ 2,171,934

Rent expense under the operating leases was \$221,360, and \$217,839 for the years ended December 31, 2018 and 2017, respectively.

7. Deferred revenue

As of December 31, 2018 and 2017, deferred revenue represents cash received in advance for the following grants and contracts:

	2018		2017
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	\$ 2,051,545	\$	555,343
Norwegian Agency for Development Cooperation, Government of Norway – Promoting Forest Tenure and Governance Reforms as Pre-requisites to the Effective Implementation of REDD+	-		268,621
Swedish International Development Cooperation Agency – Agreement on Core Support to Rights and Resources Initiative	551,419		-
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	2,578,572		2,530,907

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

Department for International Development – Scaling-up Investor and Corporate Action to Secure Community Land Rights and Promote Responsible Investment	9,709	-
Department for International Development – Forest Governance, Markets and Climate (FGMC) Programme	11,433	-
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	461
Canadian Forest Service – Indigenous Economic Development	3,745	3,745
Total deferred revenue	\$ 5,206,884	\$ 3,359,077

8. 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 \$183,839 and \$171,337 for the years ended December 31, 2018 and 2017, respectively.

9. Related party transactions

In 2017, RRG had 4 agreements with related parties (entities or individuals affiliated with RRG's Board of Directors or management). During 2017, these agreements totaled \$420,477, to be paid to the related parties for consultant fees and collaborative agreements. As of December 31, 2018 and 2017, \$0 and \$49,453 was included in accounts payable and accrued expenses for services provided by related parties, and \$0 and \$1,833 had been paid to related parties in advance of services performed and was included in advances to local partners on the Consolidated Statements of Financial Position, respectively.

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

Notes to Consolidated 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 2018, RRG contributed \$1,013,089 to the Tenure Facility. In 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.

10. Board designated net assets

The Board of Directors directed management to establish a designated balance using net assets without donor restrictions 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, 2018 and 2017, which are reported as Board designated net assets without donor restrictions in the accompanying Consolidated Statements of Financial Position.

11. Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	2018	2017
Providing Gender Justice and Women’s Rights in Land and Forest Tenure Regimes	\$ 9,388	\$ -
Capacity building	210,249	1,138,304
International Land and Forest Tenure Facility	-	221,409
Other programs	177,305	45,982
Time restrictions	1,717,152	1,953,814
Net assets with donor restrictions	\$ 2,114,094	\$ 3,359,509

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

12. Net assets released from restriction Net assets released from donor restrictions 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:

	2018	2017
Providing Gender Justice and Women’s Rights in Land and Forest Tenure Regimes	\$ 210,612	\$ 221,526
Capacity building	974,410	293,995
International Land and Forest Tenure Facility	246,409	364,211
Time restrictions	236,662	-
Other restrictions	15,000	-
Net assets with donor restrictions releases	\$ 1,683,093	\$ 879,732

13. Concentrations Revenue recognized on grants from three organizations comprised 80% and 56% of total revenue during 2018 and 2017, respectively. Billed and unbilled receivables from one organization comprised 89% and 97% of total accounts receivable at December 31, 2018 and 2017, respectively. Contributions from two organizations comprised 59% and 87% of total contributions revenue during 2018 and 2017, respectively. Unconditional promises to give from two organizations comprised 98% and 94% of contributions receivable at December 31, 2018 and 2017, respectively.

14. 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 9.0% at December 31, 2018. The line expires October 9, 2019 and is automatically renewed on an annual basis barring termination by either party at will. The balance of the line of credit was \$100,243 (\$243 representing accrued interest) and \$123 at December 31, 2018 and 2017, respectively.