

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

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2014**



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

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## Independent Auditor's Report

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

805 King Farm Boulevard  
Suite 300  
Rockville, Maryland 20850

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

We have audited the accompanying 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, 2014, 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.

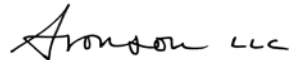
## Independent Auditor's Report (Continued)

### *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, 2014, 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 Error*

As described in Note 12 to the financial statements, certain errors including the understatement of grant and contract revenue, program expenses, accounts payable and accrued expenses, and unrestricted and total net assets, and the overstatement of deferred revenue, 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 this matter.



Rockville, Maryland  
June 25, 2015

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

## Statement of Financial Position

<i>December 31,</i>	<b>2014</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 5,530,126
Accounts receivable	263,296
Advances to local partners	606,786
Prepaid expenses	68,352
<b>Total current assets</b>	<b>6,468,560</b>
<b>Property and equipment, net</b>	<b>170,447</b>
<b>Deposits</b>	<b>10,642</b>
<b>Total assets</b>	<b>\$ 6,649,649</b>
<b>Liabilities and Net Assets</b>	
<b>Current liabilities</b>	
Accounts payable and accrued expenses	\$ 1,025,970
Contributions payable	7,500
Deferred rent	8,058
Deferred revenue	3,599,653
<b>Total current liabilities</b>	<b>4,641,181</b>
<b>Net assets</b>	
Board designated unrestricted	758,696
Unrestricted	1,003,790
<b>Total unrestricted</b>	<b>1,762,486</b>
Temporarily restricted	245,982
<b>Total net assets</b>	<b>2,008,468</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,649,649</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 Activities and Changes in Net Assets

	2014		
<i>Year Ended December 31,</i>	Unrestricted	Temporarily Restricted	Total
<b>Revenue</b>			
Grants and contracts	\$ 4,561,531	\$ -	\$ 4,561,531
Department for International Development grant	3,731,333	-	3,731,333
Contributions	2,557,696	220,000	2,777,696
Interest	6,847	-	6,847
Other revenue	4,576	-	4,576
Net assets released from restrictions	556,199	(556,199)	-
<b>Total revenue</b>	<b>11,418,182</b>	<b>(336,199)</b>	<b>11,081,983</b>
 <b>Expenses</b>			
Programs	8,635,378	-	8,635,378
Management and general	1,744,279	-	1,744,279
Fundraising	14,066	-	14,066
<b>Total expenses</b>	<b>10,393,723</b>	<b>-</b>	<b>10,393,723</b>
<b>Change in net assets</b>	<b>1,024,459</b>	<b>(336,199)</b>	<b>688,260</b>
 Net assets, beginning of year, as previously reported	909,279	582,181	1,491,460
Prior period adjustment (Note 12)	(171,252)	-	(171,252)
<b>Net assets, beginning of year, restated</b>	<b>738,027</b>	<b>582,181</b>	<b>1,320,208</b>
<b>Net assets, end of year</b>	<b>\$ 1,762,486</b>	<b>\$ 245,982</b>	<b>\$ 2,008,468</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 Cash Flows

<i>Year Ended December 31,</i>	<b>2014</b>
<b>Cash flows from operating activities</b>	
Change in net assets	\$ 688,260
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities</b>	
Depreciation and amortization	98,833
<b>(Increase) decrease in:</b>	
Accounts receivable	549,736
Advances to local partners	(416,800)
Prepaid expenses	6,251
Deposits	5,000
<b>Increase (decrease) in:</b>	
Accounts payable and accrued expenses	(87,050)
Contributions payable	7,500
Deferred rent	9,678
Deferred revenue	1,899,274
<b>Net cash provided by operating activities</b>	<b>2,760,682</b>
<b>Cash flows from investing activities</b>	
Purchase of property and equipment	(28,556)
<b>Net increase in cash and cash equivalents</b>	<b>2,732,126</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,798,000</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,530,126</b>

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

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

**Notes to Financial Statements**

**1. Organization and significant accounting policies**

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

**Basis of accounting:** RRG maintains its records using the accrual basis of accounting in accordance with generally accepted accounting principles of 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 for three months of operating expenses.

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

**Permanently restricted net assets** – net assets subject to donor-imposed stipulations that they be maintained permanently by RRG. As of December 31, 2014, 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.



**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. 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, 2014.

**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:** Advanced 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.

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 \$263,296 at December 31, 2014.

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

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

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**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.

**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, 2014, 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, 2011 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.

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

**Subsequent events:** Management has evaluated subsequent events for disclosure in these financial statements through June 25, 2015, which was the date the financial statements were available to be issued.

**2. Property and equipment**

Property and equipment consists of the following at December 31:

	<b>2014</b>
Leasehold improvements	\$ 311,904
Furniture and fixtures	59,807
Computer hardware and software	170,356
<b>Total property and equipment</b>	<b>542,067</b>
Less: Accumulated depreciation and amortization	(371,620)
<b>Net property and equipment</b>	<b>\$ 170,447</b>

Depreciation and amortization expense for the year ended December 31, 2014 was \$98,833.

**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, 2014 was \$261,334.

The following is a schedule of future minimum lease payments under the operating lease as of December 31, 2014:

2015	\$	260,864
2016		133,744
<b>Total</b>	<b>\$</b>	<b>394,608</b>

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

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<b>4. Deferred revenue</b>	As of December 31, 2014, deferred revenue represents grants and contracts received in advance for the following:	
		<b>2014</b>
	Norwegian Agency for Development Cooperation, Government of Norway – Supporting Effective Investments and Interventions in Climate Change Mitigation in Forest Areas While Promoting Rights and Development	<b>\$ 840,265</b>
	Norwegian Agency for Development Cooperation, Government of Norway – Core Contribution to the Rights and Resources Initiative	<b>112,168</b>
	Swiss Agency for Development and Cooperation, Government of Switzerland – Core Contribution to the Rights and Resources Initiative	<b>428,910</b>
	Swedish International Development Cooperation Agency – Accelerating Reforms in Forest Tenure and Governance to Meet Priority Global Challenges: Strategic Analysis, Narratives and Networks to Advance Local Rights and Development	<b>581,184</b>
	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>1,046,587</b>
	Department for Internal Development – Improved Land Governance and Protection of Property Rights	<b>329,129</b>
	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	<b>261,410</b>
	<b>Total deferred revenue</b>	<b>\$ 3,599,653</b>

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

**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, 2014 was \$159,064.

**6. Board designated net assets** The Board of Directors directed management to establish a designated balance using unrestricted net assets which are not required to be expended in connection with any particular grant. The intention is to accumulate a reserve to cover three months of general operating expenses. As of December 31, 2014, management had identified and accumulated \$758,696 in such funds, which are reported as Board designated unrestricted net assets in the accompanying Statement of Financial Position.

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

	<b>2014</b>
Providing gender justice and women's rights in land and forest tenure regimes	\$ <b>200,000</b>
Other programs	<b>45,982</b>
<b>Temporarily restricted net assets</b>	<b>\$ 245,982</b>

**8. 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:

	<b>2014</b>
Women's tenure rights in land and forestry in REDD+ programs	\$ <b>261,031</b>
Raise public awareness of community forest rights	<b>295,168</b>
<b>Temporarily restricted net assets releases</b>	<b>\$ 556,199</b>

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

**Notes to Financial Statements**

**9. Concentration** Revenue recognized on grants from two organizations comprised 49% of total revenue during 2014. Unbilled receivables from one organization comprised 86% of total accounts receivable at December 31, 2014.

**10. 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%, totaling 6.75% at December 31, 2014. The line expires October 9, 2015 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 2014.

**11. Conditional promise to give** In June 2014, RRG signed a grant and pledge agreement which provides general funds to the organization. A conditional amount of \$375,000 remains to be recognized and will be paid when RRG achieves certain conditions related to the signing of a contract for a new financial management software system.

**12. Correction of errors** In the previous year, grants and contracts revenue, program expenses, accounts payable and accrued expenses, and unrestricted and total net assets were understated and deferred revenue was overstated due to expenses being recorded and held as debit balances in accounts payable and accrued expenses. Management has determined that these amounts were 2013 expenditures and should have been recognized as expenses and when appropriate as costs reimbursement grant revenues in 2013.

RRG corrected these errors by adjusting the beginning net assets as of December 31, 2013. The following captions on the Statement of Activities and Changes in Net Assets were affected:

<b>Caption per Statement of Activities and Changes in Net Assets</b>	<b>Unrestricted Net Assets</b>	<b>Temporarily Restricted Net Assets</b>	<b>Total Net Assets</b>
Net assets, beginning of year	\$ 909,279	\$ 582,181	\$ 1,491,460
Adjustment for 2013 revenues not recognized in 2013	169,164	-	169,164
Adjustment for 2013 expenses not recognized in 2013	(340,416)	-	(340,416)
Net assets, beginning of year, restated	\$ 738,027	\$ 582,181	\$ 1,320,208



## Independent Auditor's Report on Supplementary Information

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

805 King Farm Boulevard  
Suite 300  
Rockville, Maryland 20850

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

We have audited the financial statements of **Rights and Resources Institute, Inc. (D/B/A Rights and Resources Group)** as of and for the year ended December 31, 2014, and our report thereon dated June 25, 2015, which 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.

Rockville, Maryland  
June 25, 2015

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

Schedule of Functional Expenses

Year Ended December 31, 2014

	Coordination	Communication & Outreach	Country and Regional Programs	Networks	Strategic Analysis	Strategic Initiatives	ILFTF	Total Programs	Management and General	Fundraising	Total
Salaries and related expenses	\$ 255,659	\$ 283,574	\$ 711,955	\$ 149,057	\$ 195,722	\$ 38,133	\$ 77,171	\$ 1,711,271	\$ 1,296,873	\$ 13,487	\$ 3,021,631
Consultants	107,153	7,818	142,293	131,777	883,988	115,286	179,184	1,567,499	100,895	-	1,668,394
Publications and other media	8,303	384,254	6,719	41,493	958	210	25,082	467,019	-	-	467,019
Office expenses	8,281	10,552	12,693	2,873	6,091	-	2,063	42,553	166,799	-	209,352
Occupancy	24,628	25,669	136,816	24,427	41,499	7,512	12,457	273,008	54,609	445	328,062
Staff travel	75,810	23,521	131,560	62,140	28,548	18,563	6,517	346,659	262	-	346,921
Participant travel	114,725	4,283	26,519	168,173	9,530	14,793	87,209	425,232	-	-	425,232
Conference	96,963	48,679	25,778	111,497	3,319	1,385	601	288,222	2,378	-	290,600
Depreciation and amortization	7,420	7,733	41,217	7,359	12,502	2,263	3,753	82,247	16,452	134	98,833
Miscellaneous	5	5,141	712	983	115	18	-	6,974	105,921	-	112,895
Grants	80,056	10,692	3,091,293	72,854	130,353	39,446	-	3,424,694	90	-	3,424,784
<b>Total expenses</b>	<b>\$ 779,003</b>	<b>\$ 811,916</b>	<b>\$ 4,327,555</b>	<b>\$ 772,633</b>	<b>\$ 1,312,625</b>	<b>\$ 237,609</b>	<b>\$ 394,037</b>	<b>\$ 8,635,378</b>	<b>\$ 1,744,279</b>	<b>\$ 14,066</b>	<b>\$ 10,393,723</b>

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