

**RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020



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DBA: RIGHTS AND RESOURCES GROUP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rights and Resources Institute, Inc.
dba: Rights and Resources Group
Washington, DC

Opinion

We have audited the accompanying consolidated financial statements of Rights and Resources Institute, Inc. dba: Rights and Resources Group (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

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. dba: Rights and Resources Group, as of December 31, 2021 and 2020, and the results of their 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Rights and Resources Institute, Inc. dba: Rights and Resources Group and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rights and Resources Institute, Inc. dba: Rights and Resources Group's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rights and Resources Institute, Inc. dba: Rights and Resources Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rights and Resources Institute, Inc. dba: Rights and Resources Group's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Greenbelt, Maryland
April 29, 2022

**RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 12,869,157	\$ 7,822,555
Accounts Receivable	32,752	31,753
Contributions Receivable, Current Portion	5,890,439	575,000
Advances to Local Partners	188,455	201,681
Prepaid Expenses	26,414	33,995
Total Current Assets	19,007,217	8,664,984
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION AND DISCOUNT	16,800,766	-
PROPERTY AND EQUIPMENT, Net	237,636	307,171
CERTIFICATES OF DEPOSITS	251,977	-
DEPOSITS	36,940	37,905
Total Assets	\$ 36,334,536	\$ 9,010,060
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 721,803	\$ 494,353
Contributions Payable	5,000	5,000
Deferred Revenue	5,221,565	4,441,439
Total Current Liabilities	5,948,368	4,940,792
DEFERRED RENT	310,011	345,617
Total Liabilities	6,258,379	5,286,409
NET ASSETS		
Without Donor Restrictions:		
Board-Designated	1,559,418	1,222,852
Undesignated	1,807,708	1,829,499
Total Without Donor Restrictions	3,367,126	3,052,351
With Donor Restrictions	26,709,031	671,300
Total Net Assets	30,076,157	3,723,651
Total Liabilities and Net Assets	\$ 36,334,536	\$ 9,010,060

See accompanying Notes to Consolidated Financial Statements.

RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Grants and Contracts:						
Other Funders	\$ 3,395,642	\$ -	\$ 3,395,642	\$ 2,812,075	\$ -	\$ 2,812,075
Government of the Federal Republic of Germany	618,314	-	618,314	941,995	-	941,995
Foreign, Commonwealth & Development Office	349,671	-	349,671	658,088	-	658,088
Norwegian Agency for Development Cooperation	290,637	-	290,637	522,821	-	522,821
Contributions	2,210,892	26,776,122	28,987,014	506,679	1,240,800	1,747,479
Interest	516	-	516	4,648	-	4,648
Other Revenue	25,088	-	25,088	6,917	-	6,917
Gain on Foreign Currency Transactions	63,048	-	63,048	53,890	-	53,890
Net Assets Released from Restrictions	738,391	(738,391)	-	2,127,669	(2,127,669)	-
Total Revenue	<u>7,692,199</u>	<u>26,037,731</u>	<u>33,729,930</u>	<u>7,634,782</u>	<u>(886,869)</u>	<u>6,747,913</u>
EXPENSES						
Programs	5,957,949	-	5,957,949	4,996,176	-	4,996,176
Management and General	1,321,879	-	1,321,879	974,642	-	974,642
Fundraising	97,596	-	97,596	92,231	-	92,231
Total Expenses	<u>7,377,424</u>	<u>-</u>	<u>7,377,424</u>	<u>6,063,049</u>	<u>-</u>	<u>6,063,049</u>
CHANGE IN NET ASSETS	314,775	26,037,731	26,352,506	1,571,733	(886,869)	684,864
Net Assets - Beginning of Year	<u>3,052,351</u>	<u>671,300</u>	<u>3,723,651</u>	<u>1,480,618</u>	<u>1,558,169</u>	<u>3,038,787</u>
NET ASSETS - END OF YEAR	<u>\$ 3,367,126</u>	<u>\$ 26,709,031</u>	<u>\$ 30,076,157</u>	<u>\$ 3,052,351</u>	<u>\$ 671,300</u>	<u>\$ 3,723,651</u>

See accompanying Notes to Consolidated Financial Statements.

RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Coalition and Communications Programs	Regional Programs	Strategic Analysis Global Engagement	Total Programs	Management and General	Fundraising	Total Expenses
Salaries and Related Expenses	\$ 774,185	\$ 651,777	\$ 1,043,911	\$ 2,469,873	\$ 696,884	\$ 92,898	\$ 3,259,655
Grants	39,124	1,033,087	737,803	1,810,014	25,000	-	1,835,014
Consultants	80,340	483,600	448,813	1,012,753	204,453	120	1,217,326
Occupancy Expenses	35,085	75,725	77,831	188,641	22,072	3,086	213,799
Office Expenses	8,281	3,455	2,684	14,420	158,452	75	172,947
Publications and Other Media	107,502	14,680	47,733	169,915	399	-	170,314
Staff Travel	5,582	89,358	44,274	139,214	21,361	-	160,575
Miscellaneous	8,166	490	-	8,656	143,848	79	152,583
Depreciation	15,216	32,841	33,754	81,811	9,572	1,338	92,721
Conferences	25,376	5,675	17,960	49,011	39,249	-	88,260
Participant Travel	9,264	969	3,408	13,641	589	-	14,230
Total Functional Expenses	<u>\$ 1,108,121</u>	<u>\$ 2,391,657</u>	<u>\$ 2,458,171</u>	<u>\$ 5,957,949</u>	<u>\$ 1,321,879</u>	<u>\$ 97,596</u>	<u>\$ 7,377,424</u>

See accompanying Notes to Consolidated Financial Statements.

RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	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	\$ 704,385	\$ 616,433	\$ 1,071,441	\$ -	\$ 2,392,259	\$ 609,089	\$ 84,212	\$ 3,085,560
Grants	32,376	866,747	384,285	29,610	1,313,018	-	-	1,313,018
Consultants	25,611	362,334	260,655	-	648,600	136,149	-	784,749
Occupancy Expenses	42,581	79,957	70,908	1,216	194,662	20,196	3,536	218,394
Publications and Other Media	156,938	6,184	2,482	-	165,604	317	-	165,921
Office Expenses	13,572	1,387	2,865	108	17,932	122,645	2,854	143,431
Depreciation and Amortization	19,620	36,843	32,673	561	89,697	9,306	1,629	100,632
Miscellaneous	1,785	45	170	-	2,000	75,189	-	77,189
Staff Travel	10,474	30,879	22,074	-	63,427	544	-	63,971
Conferences	55,283	974	875	-	57,132	1,207	-	58,339
Participant Travel	51,693	152	-	-	51,845	-	-	51,845
Total Functional Expenses	\$ 1,114,318	\$ 2,001,935	\$ 1,848,428	\$ 31,495	\$ 4,996,176	\$ 974,642	\$ 92,231	\$ 6,063,049

See accompanying Notes to Consolidated Financial Statements.

**RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 26,352,506	\$ 684,864
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	92,721	100,632
Amortization of Discount on Contributions Receivable	549,234	-
Increase (Decrease) in Assets:		
Accounts Receivable	(999)	514,640
Contributions Receivable	(22,665,439)	528,750
Certificates of Deposits	(251,977)	-
Advances to Local Partners	13,226	(20,796)
Prepaid Expenses	7,581	46,869
Deposits	965	-
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	227,450	(471,346)
Contributions Payable	-	-
Deferred Rent	(35,606)	(28,231)
Deferred Revenue	780,126	3,418,827
Net Cash Provided by Operating Activities	5,069,788	4,774,209
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(23,186)	(25,330)
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,046,602	4,748,879
Cash and Cash Equivalents - Beginning of Year	7,822,555	3,073,676
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 12,869,157	\$ 7,822,555

See accompanying Notes to Consolidated Financial Statements.

**RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 ORGANIZATION

Rights and Resources Institute, Inc. dba: Rights and Resources Group (RRG) is a nonprofit 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 (RRCI) 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Rights and Resources Institute, Inc. and its affiliate, Rights and Resources Coalition Institute, which is 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 (U.S. GAAP).

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 as required by grant agreements totaled \$3,690,555 and \$752,314 as of December 31, 2021 and 2020, 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 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, 2021 and 2020.

**RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020.

Property and Equipment

We record property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities and changes in net assets. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2021 and 2020.

Advances to Local Partners

Advance payments are made to local partner collaborators for projects. Expenses are recognized when project costs are incurred and approved by RRG.

**RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a reserve fund to cover three months of operating expenses.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with perpetual donor-imposed restrictions as of December 31, 2021 and 2020.

Revenue and Revenue Recognition

Contributions, grants, and contracts are recognized as without donor restrictions or with donor restrictions support depending on existence and/or nature of donor restrictions and recorded when there is sufficient evidence in the form of verifiable documentation that an unconditional promise to give was received. RRG reports amounts restricted by donors, that were initially conditional, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) simultaneous to conditions being met. All other donor-restricted contributions, grants, and contracts are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as Net Assets Released from Restriction.

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 consolidated 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.

**RIGHTS AND RESOURCES INSTITUTE, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenditures

The costs of providing various programs and other activities of RRG have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program services and supporting services benefited. The expenses that are allocated include depreciation and amortization, and occupancy, which are allocated proportionally based on direct expenses. Costs that can be identified with particular programs or support functions are charged directly to the program or function including salaries and related expenses which are charged based on time and effort.

Tax Status

RRG is exempt from federal income tax pursuant to Internal Revenue Code Section (IRC) 501(c)(3) and is classified as an organization that is not a private foundation. There was no unrelated business income or related tax for the years ended December 31, 2021 and 2020.

RRCI is exempt from income taxes on its exempt activities under the provisions of the Canadian Income Tax Act.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Reclassifications

Certain balances for the fiscal year ended December 31, 2020 have been reclassified to reflect comparative presentation with the fiscal year ended December 31, 2021.

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02, as amended, will be effective for RRG on January 1, 2022. Management is currently evaluating the impact of ASU 2016-02 on RRG's consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events for disclosure in these consolidated financial statements through April 29, 2022, which was the date the consolidated financial statements were available to be issued.

**RIGHTS AND RESOURCES INSTITUTE, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES

RRG's goal is generally to maintain financial assets to meet 90 days of operating expenses. There is a board-designated reserve available for operating purposes, which includes general expenditures, with approval from the board of directors. Some assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

Financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

	2021	2020
Cash and Cash Equivalents	\$ 12,869,157	\$ 7,822,555
Certificates of Deposits	251,977	-
Accounts Receivable	32,752	31,753
Contributions Receivable	<u>22,691,205</u>	<u>575,000</u>
Total Financial Assets	35,845,091	8,429,308
Less: Cash Held in a Separate Account Per Grant Agreements	(3,690,555)	(2,582,113)
Less: Restricted by Donor for Purpose	(26,709,031)	(671,300)
Less: Board Designated Operating Reserve	<u>(1,559,418)</u>	<u>(1,222,852)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 3,886,087</u>	<u>\$ 3,953,043</u>

NOTE 4 ACCOUNTS RECEIVABLE

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

	2021	2020
Unbilled Receivable	\$ 10,288	\$ 12,404
Billed Receivables	<u>22,464</u>	<u>19,349</u>
Total	<u>\$ 32,752</u>	<u>\$ 31,753</u>

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

**RIGHTS AND RESOURCES INSTITUTE, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at December 31:

	2021	2020
Contributions Receivable to be Collected in:		
Less: Than One Year	\$ 5,890,439	\$ 575,000
One Year to Five Years	17,350,000	-
Total Contributions Receivable	23,240,439	575,000
Less: Discount to Net Present Value at 1.26%	(549,234)	-
Total	\$ 22,691,205	\$ 575,000

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2021	2020
Leasehold Improvements	\$ 384,381	\$ 384,381
Furniture and Fixtures	176,733	176,733
Computer Hardware and Software	339,750	316,563
Total Property and Equipment	900,864	877,677
Less: Accumulated Depreciation and Amortization	(663,228)	(570,506)
Net Property and Equipment	\$ 237,636	\$ 307,171

Depreciation and amortization expense was \$92,721 and \$100,632 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 LINE OF CREDIT

RRG has access to a \$100,000 revolving line of credit. The purpose of the line is to provide short-term funding when operating funds are found to be insufficient. The line of credit bears a fluctuating interest rate at prime plus 3.50%. The rate was 6.75% at December 31, 2020, respectively. The line expired October 9, 2021, and was not automatically renewed. The balance of the line of credit was \$-0- at December 31, and 2020.

**RIGHTS AND RESOURCES INSTITUTE, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 DEFERRED REVENUE

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

<u>Description</u>	<u>2021</u>	<u>2020</u>
Swedish International Development Cooperation Agency - Agreement on Core Support to Rights and Resources Initiative	\$ 1,390,289	\$ 1,875,512
Foreign, Commonwealth & Development Office - Forest Governance, Markets and Climate (FGMC) Programme	-	66,297
The Norwegian Agency for Development Cooperation - Promoting Forest Tenure and Governance Reforms as Pre-Requisites to the Effective Implementation of REDD+	-	290,582
Government of the Federal Republic of Germany	2,781,575	1,409,288
All Others	<u>1,049,701</u>	<u>799,760</u>
Total Deferred Revenue	<u>\$ 5,221,565</u>	<u>\$ 4,441,439</u>

NOTE 9 NET ASSETS WITH DONOR RESTRICTION

RRG has net assets with donor restrictions at December 31 as follows:

	<u>2021</u>	<u>2020</u>
Providing Gender Justice and Women's Rights in Land and Forest Tenure Regimes	\$ 106,788	\$ 220,000
Capacity Building	-	71,015
Other Programs	26,602,243	380,285
Time Restrictions	-	-
Net Assets With Donor Restrictions	<u>\$ 26,709,031</u>	<u>\$ 671,300</u>

**RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 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:

	2021	2020
Providing Gender Justice and Women's Rights in Land and Forest Tenure Regimes	\$ 113,212	\$ 121,861
Capacity Building	237,478	256,037
Time Restrictions	-	1,000,000
Other Restrictions	387,701	749,771
Net Assets With Donor Restrictions Releases	\$ 738,391	\$ 2,127,669

NOTE 11 CONDITIONAL CONTRIBUTIONS - REVENUE

A portion of RRG's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when RRG has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statements of financial position. RRG received cost-reimbursable grants that have not been recognized as of December 31, 2021 and 2020, because qualifying expenditures have not yet been incurred and have been received as advance payments of \$5,221,565 and \$4,441,439, respectively, recognized in the consolidated statements of financial position as deferred revenue.

NOTE 12 CONCENTRATIONS

Revenue from grants and contracts during the years ended December 31, 2021 and 2020 from two and three funders, respectively, comprised 98% and 53% of total revenues, respectively. Billed and unbilled receivables at December 31, 2021 and 2020 from one and one funder, respectively, comprised 31% and 39%, respectively, of total accounts receivable.

Contributions from one and three organizations, respectively, comprised 86% and 64% of total contribution revenue during the years ended December 31, 2021 and 2020, respectively. Unconditional promises to give from one and two organizations, respectively, comprised 95% and 100% of contributions receivable at December 31, 2021 and 2020, respectively.

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NOTE 13 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 are eligible to receive a nonelective contribution of 3% of qualified earnings and employer discretionary contributions. The percentage for discretionary contributions is determined annually at the discretion of RRG. Employees are immediately vested in the nonelective contribution and become vested in the remainder of employer discretionary contributions upon completion of 1,000 hours of service within a 12-month period. RRG's contributions were \$133,608 and \$150,183 for the years ended December 31, 2021 and 2020, respectively.

NOTE 14 COMMITMENTS

Leases

On January 2017, RRG entered into a lease for office space located in Washington, DC. 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% 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 consolidated statements of financial position.

The following is a schedule of future minimum lease payments under the operating lease as of December 31, 2021:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 260,796
2023	268,620
2024	276,678
2025	284,978
2026	293,528
Thereafter	49,644
Total	<u>\$ 1,434,244</u>

Rent expense under the operating leases was \$213,799 and \$218,395 for the years ended December 31, 2021 and 2020, respectively.

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NOTE 14 COMMITMENTS (CONTINUED)

Conditional Grants – Grant Expense

RRG provides cost – reimbursable grants to local partners, which are conditioned upon certain performance requirements, the incurrence of allowable expenses, and approval by RRG. As of December 31, 2021 and 2020, RRG had \$466,898 and \$276,973 in outstanding conditional grants to local partners, with advance payments of \$188,455 and \$201,681, respectively, recognized in the consolidated statements of financial position within current assets. Grant expense will be recognized as the conditions are substantially met.

NOTE 15 PAYCHECK PROTECTION PROGRAM LOAN

On April 13, 2020, RRG received a loan from PNC bank in the amount of \$448,300 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if RRG fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is forgiven, the loan will have a maturity date of April 12, 2022.

On October 14, 2020, RRG submitted its application for PPP Loan forgiveness. RRG has taken a position that as of December 31, 2020, all the conditions that existed for recognizing revenue have been met even though RRG has not yet received an official notification of forgiveness of the loan from the bank. As a result, RRG recognized \$448,300 in contributions revenue with donor restriction on the 2020 statement of activities and changes in net assets.

On June 29, 2021, the Small Business Administration authorized full forgiveness of the loan amount. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the RRG's financial position.

NOTE 16 SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2021, RRG received a one-time gift without donor restrictions in the amount of \$15,000,000.