

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

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019



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**RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
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YEARS ENDED DECEMBER 31, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Rights and Resources Institute, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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.

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

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., as of December 31, 2020 and 2019, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
April 30, 2021

RIGHTS AND RESOURCES INSTITUTE, INC.
(DBA: RIGHTS AND RESOURCES GROUP)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,822,555	\$ 3,073,676
Accounts Receivable	31,753	546,393
Contributions Receivable	575,000	1,103,750
Advances to Local Partners	201,681	180,885
Prepaid Expenses	33,995	80,864
Total Current Assets	8,664,984	4,985,568
PROPERTY AND EQUIPMENT, NET	307,171	382,473
DEPOSITS	37,905	37,905
Total Assets	\$ 9,010,060	\$ 5,405,946
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 494,353	\$ 965,699
Contributions Payable	5,000	5,000
Deferred Revenue	4,441,439	1,022,612
Total Current Liabilities	4,940,792	1,993,311
DEFERRED RENT	345,617	373,848
Total Liabilities	5,286,409	2,367,159
NET ASSETS		
Without Donor Restrictions:		
Board-Designated	1,222,852	969,960
Undesignated	1,829,499	510,658
Total Without Donor Restrictions	3,052,351	1,480,618
With Donor Restrictions	671,300	1,558,169
Total Net Assets	3,723,651	3,038,787
Total Liabilities and Net Assets	\$ 9,010,060	\$ 5,405,946

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, 2020 AND 2019

	<u>Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>Donor Restrictions</u>	<u>Total</u>
REVENUE						
Grants and Contracts:						
Other Funders	\$ 3,754,070	\$ -	\$ 3,754,070	\$ 4,150,772	\$ -	\$ 4,150,772
Foreign, Commonwealth & Development Office	658,088	-	658,088	1,642,415	-	1,642,415
Norwegian Agency for Development Cooperation	522,821	-	522,821	531,914	-	531,914
Contributions	506,679	1,240,800	1,747,479	18	804,947	804,965
Interest	4,648	-	4,648	31,400	-	31,400
Other Revenue	6,917	-	6,917	1,717	-	1,717
Gain (Loss) on Foreign Currency Transactions	53,890	-	53,890	(37,639)	-	(37,639)
Net Assets Released from Restrictions	<u>2,127,669</u>	<u>(2,127,669)</u>	<u>-</u>	<u>1,360,872</u>	<u>(1,360,872)</u>	<u>-</u>
Total Revenue	7,634,782	(886,869)	6,747,913	7,681,469	(555,925)	7,125,544
EXPENSES						
Programs	4,996,176	-	4,996,176	6,547,881	-	6,547,881
Management and General	974,642	-	974,642	908,179	-	908,179
Fundraising	92,231	-	92,231	50,840	-	50,840
Total Expenses	<u>6,063,049</u>	<u>-</u>	<u>6,063,049</u>	<u>7,506,900</u>	<u>-</u>	<u>7,506,900</u>
CHANGE IN NET ASSETS	1,571,733	(886,869)	684,864	174,569	(555,925)	(381,356)
Net Assets - Beginning of Year	<u>1,480,618</u>	<u>1,558,169</u>	<u>3,038,787</u>	<u>1,306,049</u>	<u>2,114,094</u>	<u>3,420,143</u>
NET ASSETS - END 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>

See accompanying Notes to Consolidated Financial Statements.

RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
CONSOLIDATED STATEMENTS 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	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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	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	\$ 760,432	\$ 514,769	\$ 877,655	\$ 764,353	\$ 2,917,209	\$ 534,045	\$ 44,608	\$ 3,495,862
Grants	30,662	484,501	420,946	614,698	1,550,807	335	-	1,551,142
Consultants	22,182	256,552	430,990	59,934	769,658	67,960	-	837,618
Staff Travel	33,719	87,465	143,053	78,837	343,074	5,459	3,802	352,335
Participant Travel	91,452	42,299	48,781	111,291	293,823	-	-	293,823
Occupancy	36,746	44,032	63,214	52,857	196,849	26,839	1,529	225,217
Publications and Other Media	141,787	3,045	61,648	14,430	220,910	(706)	-	220,204
Office Expenses	14,350	2,160	2,064	5,876	24,450	179,994	6	204,450
Conference	72,971	8,709	25,074	30,764	137,518	9,099	25	146,642
Depreciation and Amortization	17,025	20,401	29,288	24,489	91,203	12,434	708	104,345
Miscellaneous	972	729	-	679	2,380	72,720	162	75,262
Total Functional Expenses	<u>\$ 1,222,298</u>	<u>\$ 1,464,662</u>	<u>\$ 2,102,713</u>	<u>\$ 1,758,208</u>	<u>\$ 6,547,881</u>	<u>\$ 908,179</u>	<u>\$ 50,840</u>	<u>\$ 7,506,900</u>

See accompanying Notes to Consolidated Financial Statements.

**RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 684,864	\$ (381,356)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	100,632	104,345
Amortization of Discount on Contributions Receivable	-	(73,699)
Increase (Decrease) in Assets:		
Accounts Receivable	514,640	(216,747)
Contributions Receivable	528,750	1,168,573
Advances to Local Partners	(20,796)	214,205
Prepaid Expenses	46,869	20,470
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(471,346)	(367,034)
Contributions Payable	-	(1,485,943)
Deferred Rent	(28,231)	(21,072)
Deferred Revenue	3,418,827	(4,184,272)
Net Cash Provided (Used) by Operating Activities	<u>4,774,209</u>	<u>(5,222,530)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(25,330)	(13,776)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Borrowings (Repayments) under Line of Credit	<u>-</u>	<u>(100,243)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,748,879	(5,336,549)
Cash and Cash Equivalents - Beginning of Year	<u>3,073,676</u>	<u>8,410,225</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,822,555</u>	<u>\$ 3,073,676</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ -</u>	<u>\$ 1,427</u>

See accompanying Notes to Consolidated Financial Statements.

**RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 \$2,582,113 and \$282,934 as of December 31, 2020 and 2019, respectively. Because requirements are quickly met during the normal course of operations, the cash balances are not segregated for purposes of financial statement presentation.

RIGHTS AND RESOURCES INSTITUTE, INC.
DBA: RIGHTS AND RESOURCES GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019.

RIGHTS AND RESOURCES INSTITUTE, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020 and 2019.

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, 2020 AND 2019**

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, 2020 and 2019.

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.

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 30, 2021, 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, 2020 AND 2019**

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. In addition, RRG has a \$100,000 line of credit available to meet cash flow needs. 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:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 7,822,555	\$ 3,073,676
Accounts Receivable	31,753	546,393
Contributions Receivable	<u>575,000</u>	<u>1,103,750</u>
Total Financial Assets	8,429,308	4,723,819
Less: Cash Held in a Separate Account Per Grant Agreements	(2,582,113)	(282,934)
Less: Restricted by Donor for Purpose	(671,300)	(558,169)
Less: Board Designated Operating Reserve	<u>(1,222,852)</u>	<u>(969,960)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 3,953,043</u>	<u>\$ 2,912,756</u>

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2020 and 2019, consist of accounts due under grants from foreign governments and other contractual receivables as follows:

	<u>2020</u>	<u>2019</u>
Unbilled Receivable	\$ 12,404	\$ 542,968
Billed Receivables	<u>19,349</u>	<u>3,425</u>
Total	<u>\$ 31,753</u>	<u>\$ 546,393</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, 2020 AND 2019**

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at December 31:

	<u>2020</u>	<u>2019</u>
Contributions Receivable to be Collected in:		
Less: Than One Year	\$ 575,000	\$ 1,103,750
One Year to Five Years	-	-
Total Contributions Receivable	<u>575,000</u>	<u>1,103,750</u>
Less: Discount to Net Present Value at 2.54%	-	-
Total	<u><u>\$ 575,000</u></u>	<u><u>\$ 1,103,750</u></u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Leasehold Improvements	\$ 384,381	\$ 384,381
Furniture and Fixtures	176,733	176,733
Computer Hardware and Software	316,563	291,233
Total Property and Equipment	<u>877,677</u>	<u>852,347</u>
Less: Accumulated Depreciation and Amortization	<u>(570,506)</u>	<u>(469,874)</u>
Net Property and Equipment	<u><u>\$ 307,171</u></u>	<u><u>\$ 382,473</u></u>

Depreciation and amortization expense was \$100,632 and \$104,345 for the years ended December 31, 2020 and 2019, 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% and 8.25% at December 31, 2020 and 2019, respectively. The line expires October 9, 2021 and is automatically renewed on an annual basis barring termination by either party at will. The balance of the line of credit was \$-0- at December 31, 2020 and 2019.

**RIGHTS AND RESOURCES INSTITUTE, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 8 DEFERRED REVENUE

As of December 31, 2020 and 2019, deferred revenue represents cash received in advance for the following grants and contracts:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Swedish International Development Cooperation Agency - Agreement on Core Support to Rights and Resources Initiative	\$ 1,875,512	\$ 871,699
Foreign, Commonwealth & Development Office - Forest Governance, Markets and Climate (FGMC) Programme	66,297	63,631
The Norwegian Agency for Development Cooperation - Promoting Forest Tenure and Governance Reforms as Pre-Requisites to the Effective Implementation of REDD+	290,582	64,392
All Others	<u>2,209,048</u>	<u>22,890</u>
Total Deferred Revenue	<u><u>\$ 4,441,439</u></u>	<u><u>\$ 1,022,612</u></u>

NOTE 9 NET ASSETS WITH DONOR RESTRICTION

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

	<u>2020</u>	<u>2019</u>
Providing Gender Justice and Women's Rights in Land and Forest Tenure Regimes	\$ 220,000	\$ 121,861
Capacity Building	71,015	20,382
Other Programs	380,285	415,926
Time Restrictions	-	1,000,000
Net Assets With Donor Restrictions	<u><u>\$ 671,300</u></u>	<u><u>\$ 1,558,169</u></u>

**RIGHTS AND RESOURCES INSTITUTE, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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:

	2020	2019
Providing Gender Justice and Women's Rights in Land and Forest Tenure Regimes	\$ 121,861	\$ 107,527
Capacity Building	256,037	189,867
Time Restrictions	1,000,000	716,052
Other Restrictions	749,771	347,426
Net Assets With Donor Restrictions Releases	\$ 2,127,669	\$ 1,360,872

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, 2020, because qualifying expenditures have not yet been incurred and have been received as advance payments of \$4,441,439 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, 2020 and 2019 from three and four funders, respectively, comprised 53% and 80% of total revenues, respectively. Billed and unbilled receivables at December 31, 2020 and 2019 from one and one funder, respectively, comprised 39% and 99%, respectively, of total accounts receivable.

Contributions from five and two organizations, respectively, comprised 64% and 59% of total contribution revenue during the years ended December 31, 2020 and 2019, respectively. Unconditional promises to give from two and two organizations, respectively, comprised 100% and 99% of contributions receivable at December 31, 2020 and 2019, 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 \$150,183 and \$163,006 for the years ended December 31, 2020 and 2019, respectively.

NOTE 14 RELATED PARTY TRANSACTIONS

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 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. RRG contributed \$-0- and \$574,508 to the Tenure Facility for the years ended December 31, 2020 and 2019, respectively. RRG does not exercise control over the Tenure Facility; therefore, the Tenure Facility is not consolidated with RRG. Management of the Tenure Facility transitioned from RRG to the secretariat in Stockholm in March 2019.

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NOTE 15 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 – Long-Term 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, 2020:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 253,200
2022	260,796
2023	268,620
2024	276,678
2025	284,978
Thereafter	<u>343,172</u>
Total	<u>\$ 1,687,444</u>

Rent expense under the operating leases was \$218,395 and \$225,217 for the years ended December 31, 2020 and 2019, respectively.

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, 2020, RRG had \$276,973 in outstanding conditional grants to local partners, with advance payments of \$201,681 recognized in the consolidated statements of financial position within current assets. Grant expense will be recognized as the conditions are substantially met.

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NOTE 16 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 statement of activities and changes in net assets.

NOTE 17 RISKS AND UNCERTAINTIES

During the year ended December 31, 2020, a pandemic of the coronavirus (COVID-19) was declared by the World Health Organization. Future events revenues and expenses of RRG and RRCI are uncertain due to the potential impact on travel and public gatherings. This could also impact transactions relating to customers and vendors. As of April 30, 2021, the amount and likelihood of loss relating to these events have not been determined.