

RESOURCES FOR THE FUTURE, INC.

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS AND SUPPLEMENTARY
INFORMATION**

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

Resources for the Future, Inc.

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Independent Auditor's Report

Board of Directors
Resources for the Future, Inc.
Washington, D.C.

We have audited the accompanying consolidated financial statements of **Resources for the Future, Inc.** (the "Organization") (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of September 30, 2019 and 2018, 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 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; 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditor's Report (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Resources for the Future, Inc.** as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 3 and 4, the consolidated financial statements include investments valued at \$20,629,550 (36% of net assets) at September 30, 2019, and \$20,061,134 (33% of net assets) at September 30, 2018, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Other Matters

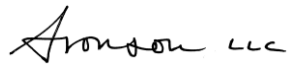
Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Independent Auditor's Report (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2020, on our consideration of **Resources for the Future, Inc.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Resources for the Future, Inc.**'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Resources for the Future, Inc.**'s internal control over financial reporting and compliance.



Rockville, Maryland
March 6, 2020

Resources for the Future, Inc.

Consolidated Statements of Financial Position

<i>September 30,</i>	2019	2018
Assets		
Cash and cash equivalents	\$ 1,636,349	\$ 2,478,656
Grants and contract revenue receivable	1,074,460	1,101,696
Contributions receivable	659,248	2,732,466
Investments	55,625,244	58,508,012
Fixed assets - net of accumulated depreciation	19,874,335	19,877,761
Assets held under charitable trust agreements	332,843	345,943
Other assets	4,224,729	2,360,502
Total assets	\$ 83,427,208	\$ 87,405,036
Liabilities and Net Assets		
Tax-exempt bond financing, net of financing costs of \$560,696 and \$614,121, respectively	\$ 22,839,304	\$ 22,785,879
Grants and awards payable	42,836	85,672
Accounts payable and accrued liabilities	1,601,203	1,663,163
Deferred revenue	234,962	158,381
Postretirement benefits	1,179,699	1,094,000
Liabilities under split-interest agreements	177,623	190,724
Funds held for others	159,383	172,004
Total liabilities	26,235,010	26,149,823
Net assets		
Net assets without donor restrictions	47,733,296	49,400,391
Net assets with donor restrictions	9,458,902	11,854,822
Total net assets	57,192,198	61,255,213
Total liabilities and net assets	\$ 83,427,208	\$ 87,405,036

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

Resources for the Future, Inc.

Consolidated Statement of Activities and Changes in Net Assets

<i>Year Ended September 30, 2019</i>	Without Restrictions	With Restrictions	Total
Changes in net assets			
Revenue			
Program grants and contracts	\$ 2,458,448	\$ 1,630,970	\$ 4,089,418
General support and contributions	2,927,659	-	2,927,659
Rental income	1,626,145	-	1,626,145
Investment returns designated for operations	4,620,000	-	4,620,000
Net assets released from restrictions	4,327,002	(4,327,002)	-
Total operating revenue	15,959,254	(2,696,032)	13,263,222
Expenses			
Research programs			
Research	8,449,016	-	8,449,016
Academic Relations	10,199	-	10,199
Communications	865,008	-	865,008
Other direct	24,831	-	24,831
Total research program expenses	9,349,054	-	9,349,054
Research support	40,217		40,217
Fundraising	1,128,594	-	1,128,594
Management and administration	3,356,494	-	3,356,494
1616 P Street operations and maintenance	1,668,282	-	1,668,282
Total functional expenses	15,542,641	-	15,542,641
Change in net assets from operations	416,613	(2,696,032)	(2,279,419)
Non-operating revenues			
Investment income - net	866,567	-	866,567
Realized and unrealized gains on investment transactions	1,669,725	300,112	1,969,837
Investment income allocation to operating	(4,620,000)	-	(4,620,000)
Change in net assets	(1,667,095)	(2,395,920)	(4,063,015)
Net assets at beginning of year	49,400,391	11,854,822	61,255,213
Net assets at end of year	\$ 47,733,296	\$ 9,458,902	\$ 57,192,198

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

Resources for the Future, Inc.

Consolidated Statement of Activities and Changes in Net Assets

<i>Year Ended September 30, 2018</i>	Without Restrictions	With Restrictions	Total
Changes in net assets			
Revenue			
Program grants and contracts	\$ 3,166,785	\$ 5,001,560	\$ 8,168,345
General support and contributions	1,661,250	-	1,661,250
Rental income	1,544,382		1,544,382
Investment returns designated for operations	3,342,015	-	3,342,015
Net assets released from restrictions	4,377,298	(4,377,298)	-
Total operating revenue	14,091,730	624,262	14,715,992
Expenses			
Research programs			
Research	8,692,684	-	8,692,684
Academic Relations	22,951	-	22,951
Communications	1,079,214	-	1,079,214
Other direct	12,148	-	12,148
Total research program expenses	9,806,997	-	9,806,997
Fundraising	936,232	-	936,232
Management and administration	2,359,325	-	2,359,325
1616 P Street operations and maintenance	1,783,497	-	1,783,497
Total functional expenses	14,886,051	-	14,886,051
Change in net assets from operations	(794,321)	624,262	(170,059)
Non-operating revenues			
Investment income - net	940,517	-	940,517
Realized and unrealized gains on investment transactions	2,662,388	422,123	3,084,511
Investment income allocation to operating	(3,342,015)	-	(3,342,015)
Change in net assets	(533,431)	1,046,385	512,954
Net assets at beginning of year	49,933,822	10,808,437	60,742,259
Net assets at end of year	\$ 49,400,391	\$ 11,854,822	\$ 61,255,213

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

Resources for the Future, Inc.

Consolidated Statement of Functional Expenses

Year Ended September 30, 2019

	Program expenses					1616 P Street					Total
	Research	Academic Relations	Communi- cations	Other Direct	Programs Total	Research Support	Fundraising	Management and Administration	Operations and Maintenance		
RFF functional expenses											
Salaries	\$ 3,662,372	\$ 1,853	\$ 331,936	\$ -	\$ 3,996,161	\$ 1,347,771	\$ 752,682	\$ 1,782,177	\$ -	\$ 7,878,791	
Benefits	1,009,736	519	86,082	-	1,096,337	295,395	191,378	404,766	-	1,987,876	
Resident consultants	89,257	-	-	-	89,257	-	7,500	-	-	96,757	
Total salaries and benefits	4,761,365	2,372	418,018	-	5,181,755	1,643,166	951,560	2,186,943	-	9,963,424	
Other costs											
Building operations	-	-	-	14,481	14,481	-	-	54,455	2,414,456	2,483,392	
Occupancy	624,949	754	63,982	1,837	691,522	-	83,479	-	(775,001)	-	
Research support	1,737,497	-	-	-	1,737,497	(1,737,527)	-	30	-	-	
Communications	127	-	32	6,079	6,238	-	239	48,000	-	54,477	
Computer services	714	-	9	-	723	-	-	310,932	-	311,655	
Outside consultants	479,752	58	226,237	-	706,047	18,800	54,590	199,573	-	979,010	
Conferences	188,990	6,324	62,013	2,434	259,761	6,363	13,613	100,731	-	380,468	
Travel	98,123	639	2,681	-	101,443	3,557	8,430	39,844	-	153,274	
Publication costs	64,790	-	18,174	-	82,964	8,052	3,497	42,219	-	136,732	
Subawards	127,452	-	-	-	127,452	-	-	-	-	127,452	
Professional services	6,894	-	11,000	-	17,894	-	30	104,556	-	122,480	
Fellowship stipend	26,543	-	26,979	-	53,522	17,641	-	-	-	71,163	
Grants	305,419	-	-	-	305,419	-	-	-	-	305,419	
Depreciation	-	-	-	-	-	-	-	140,586	-	140,586	
Other	26,401	52	35,883	-	62,336	80,165	13,156	128,625	28,827	313,109	
Total other costs	3,687,651	7,827	446,990	24,831	4,167,299	(1,602,949)	177,034	1,169,551	1,668,282	5,579,217	
Total RFF functional expenses	8,449,016	10,199	865,008	24,831	9,349,054	40,217	1,128,594	3,356,494	1,668,282	15,542,641	
Total indirect costs	2,761,556	3,497	311,276	3,065	3,079,394	209	402,019	(4,028,844)	547,222	-	
Total on full absorption basis	\$ 11,210,572	\$ 13,696	\$ 1,176,284	\$ 27,896	\$ 12,428,448	\$ 40,426	\$ 1,530,613	\$ (672,350)	\$ 2,215,504	\$ 15,542,641	

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

Resources for the Future, Inc.

Consolidated Statement of Functional Expenses

Year Ended September 30, 2018

	Program expenses					1616 P Street					Total
	Research	Academic Relations	Communi- cations	Other Direct	Programs Total	Research Support	Fundraising	Management and Administration	Operations and Maintenance		
RFF functional expenses											
Salaries	\$ 3,369,749	\$ 6,194	\$ 588,006	\$ -	\$ 3,963,949	\$ 1,308,130	\$ 544,439	\$ 1,357,190	\$ -	\$ 7,173,708	
Benefits	808,009	1,614	127,582	-	937,205	331,668	141,905	329,105	-	1,739,883	
Resident consultants	308,674	3,306	-	-	311,980	-	8,776	-	-	320,756	
Total salaries and benefits	4,486,432	11,114	715,588	-	5,213,134	1,639,798	695,120	1,686,295	-	9,234,347	
Other costs											
Building operations	-	-	-	-	-	-	-	3,900	2,464,981	2,468,881	
Occupancy	575,302	1,519	71,425	804	649,050	-	61,962	-	(711,012)	-	
Research support	2,032,776	-	-	-	2,032,776	(2,032,776)	-	-	-	-	
Communications	216	-	536	7,015	7,767	37,901	541	13,313	-	59,522	
Computer services	1,085	-	44,545	-	45,630	179,529	31	45,411	-	270,601	
Outside consultants	487,208	-	162,904	-	650,112	5,483	7,323	115,627	-	778,545	
Conferences	111,843	3,757	29,556	4,329	149,485	13,604	15,045	67,464	-	245,598	
Travel	105,698	1,966	3,263	-	110,927	4,319	20,478	21,783	-	157,507	
Publication costs	90,482	-	28,201	-	118,683	7,390	2,270	11,268	-	139,611	
Subawards	423,619	-	-	-	423,619	66	-	-	-	423,685	
Professional services	22,325	-	9,618	-	31,943	32,024	104,766	89,414	-	258,147	
Fellowship stipend	17,155	4,595	405	-	22,155	22,260	-	10,901	-	55,316	
Grants	238,592	-	-	-	238,592	-	-	-	-	238,592	
Dissertations	99,951	-	-	-	99,951	-	-	-	-	99,951	
Depreciation	-	-	-	-	-	-	-	138,887	-	138,887	
Other	-	-	13,173	-	13,173	90,402	28,696	155,062	29,528	316,861	
Total other costs	4,206,252	11,837	363,626	12,148	4,593,863	(1,639,798)	241,112	673,030	1,783,497	5,651,704	
Total RFF functional expenses	8,692,684	22,951	1,079,214	12,148	9,806,997	-	936,232	2,359,325	1,783,497	14,886,051	
Total indirect costs	1,909,005	5,040	237,006	2,667	2,153,718	-	205,607	(2,359,325)	-	-	
Total on full absorption basis	\$ 10,601,689	\$ 27,991	\$ 1,316,220	\$ 14,815	\$ 11,960,715	\$ -	\$ 1,141,839	\$ -	\$ 1,783,497	\$ 14,886,051	

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

Resources for the Future, Inc.

Consolidated Statements of Cash Flows

<i>Years Ended September 30,</i>	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (4,063,015)	\$ 512,954
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities		
Depreciation	581,213	532,058
Amortization of bond financing costs	53,425	6,688
Loss on disposal of fixed assets	31,258	-
Change in discount on contributions receivable	(381,978)	-
Net realized and unrealized gains on investments	(1,969,837)	(3,084,511)
Net realized and unrealized gains on assets held under charitable trust agreements	(4,895)	(23,196)
Realized gain from sale of gift funds	(2,932)	(6,817)
Donated stock	(460,646)	-
(Increase) decrease in		
Grants and contract revenue receivable	27,236	(41,269)
Contributions receivable	2,455,196	(34,515)
Other assets	(1,864,227)	(2,332,806)
Increase (decrease) in		
Grants and awards payable	(42,836)	53,704
Accounts payable and accrued liabilities	(61,960)	(158,291)
Postretirement benefits	85,699	237,000
Deferred revenue	76,581	62,059
Liabilities under split-interest agreements	(3,311)	38,902
Funds held for others	(12,621)	(110)
Net cash used by operating activities	(5,557,650)	(4,238,150)
Cash flows from investing activities		
Purchases of investments	(15,544,772)	(11,308,391)
Proceeds from sales of investments	20,869,160	12,367,771
Disbursements from charitable trust agreements	-	(22,440)
Purchases of fixed assets	(609,045)	(13,183,954)
Net cash provided (used) by investing activities	4,715,343	(12,147,014)

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

Resources for the Future, Inc.

Consolidated Statements of Cash Flows (Continued)

<i>Years Ended September 30,</i>	2019	2018
Cash flows from financing activities		
Proceeds from tax-exempt bond financing	-	23,400,000
Tax-exempt bond financing costs	-	(620,809)
Principal payments on tax-exempt bond financing	-	(4,310,000)
Net cash provided by financing activities	-	18,469,191
 Change in cash and cash equivalents	 (842,307)	 2,084,027
 Cash and cash equivalents at beginning of year	 2,478,656	 394,629
 Cash and cash equivalents at end of year	 \$ 1,636,349	 \$ 2,478,656
 Supplemental information		
Interest paid	\$ 735,238	\$ 520,447

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

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

1. Organization and significant accounting policies

Organization: Resources for the Future, Inc. (RFF) is a nonprofit tax-exempt corporation headquartered in Washington, D.C. RFF was established in October 1952, with the cooperation of the Ford Foundation. RFF's mission is to improve environmental, energy, and natural resource decisions through impartial economic research and policy engagement. In fiscal year 2017, the Executive Committee authorized and directed management to establish two District of Columbia Limited Liability Companies of which RFF is the sole member (see Note 15).

Basis of consolidation: The consolidated financial statements include the accounts of RFF and its subsidiaries, 1616 P OpCo, LLC and 1616 P LandCo, LLC which are collectively referred to herein as RFF. All intercompany transactions have been eliminated.

Basis of presentation: Net assets and revenue, gains and losses are classified based upon the existence or absence of donor imposed restrictions. Accordingly, the net assets of RFF and changes therein are classified and reported as follows:

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

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met either by RFF undertaking specific project activities and/or the passage of time, or net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of RFF.

Basis of accounting: The consolidated financial statements are prepared on the accrual basis of accounting.

Cash and cash equivalents: RFF classifies all highly liquid investments, with original maturities of less than ninety days, as cash equivalents. RFF maintains cash balances which may exceed federally insured limits. RFF does not believe that this results in any significant credit risk.

Grants and contract revenue receivable: Grants and contracts receivable are recorded when the service is rendered or when expenses are incurred for federal programs. 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. This balance is deemed fully collectible and therefore no allowance for doubtful accounts was deemed necessary as of September 30, 2019 and 2018.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

Contributions receivable: Contributions receivable are recorded when there is an unconditional pledge and amounts due after one year are discounted to present value at the risk adjusted rate determined at the time of the pledge. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive cost are written off to the allowance for doubtful accounts. All balances are considered fully collectible and therefore no allowance for doubtful accounts was deemed necessary as of September 30, 2019 and 2018.

Investments: Investments in marketable securities are presented at fair value. Hedge funds (alternative investments) are valued at the net asset value (NAV) as reported by the fund managers and reviewed by RFF. Fair values of alternative investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Because of the inherent uncertainty of valuation, the estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

All marketable securities are considered investments rather than cash equivalents, even though the maturities at the time of acquisition for certain of these securities were less than ninety days. Money market accounts are valued at cost plus accrued interest, which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Management classifies interest and dividend income as well as realized and unrealized gains and losses on investments as non-operating income. A portion of non-operating revenue is allocated for operating use.

RFF values certain investments in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments not included within the fair value hierarchy are measured at NAV as a practical expedient to estimate fair value.

Fixed assets: Fixed asset purchases of \$500 or more for furniture and equipment and \$1,000 or more for building and tenant improvements are carried at cost and depreciated using the straight-line method over their estimated useful lives which are as follows:

Furniture	10 years
Equipment and software	3-5 years
1616 P Street building	39.5 years
Tenant improvements	10 years

Split-interest agreements: RFF values the annuity obligations using actuarial estimates that approximate the present value of the obligations.

Funds held for others: RFF manages a donor-advised fund. Assets of the fund are included in the investments as the gift fund and the matching liability is included as Funds held for others on the Consolidated Statements of Financial Position. The fund is designed to provide donors with the opportunity to make contributions which qualify for charitable deductions for income tax purposes in the current period and then recommend distributions from the fund to RFF and other qualified tax-exempt organizations in future periods.

Revenue and expense recognition: Revenue from program grants and contracts is recognized in amounts equal to total reimbursable direct and indirect costs. Unconditional contributions are recognized when the pledge is received. Amounts received in advance are recorded as deferred revenue. Contributions received in the form of stock donations are liquidated upon receipt.

Rental income is recognized ratably over the period of the lease.

Expenses are recorded when incurred. Grants awarded by RFF are expensed at the time of approval.

Allocation of indirect costs: The costs of providing the various programs and other activities are presented on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

<i>Allocated Expenses</i>	<i>Basis for Allocation</i>
Employee benefits	Total salaries
Occupancy	Program and fundraising costs
Research support	Research costs
Management and administration	Total costs before allocation of occupancy

Income taxes: RFF is exempt from federal income taxation as described in Internal Revenue Code Section 501(c)(3) and is classified as a publicly supported organization.

Uncertainties in income taxes: RFF evaluates uncertainty in income tax positions based on a 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 September 30, 2019 and 2018, there are no accruals for uncertain tax positions. If applicable, RFF records interest and penalties as a component of income tax expense. Tax years from 2016 through the current year remain open for examination by tax authorities.

Accounting estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of the statement of financial position, and revenue and expenses during the reporting period. Actual results could differ from these estimates.

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

Subsequent events: Management has evaluated subsequent events for disclosure in the consolidated financial statements through March 6, 2020, which is the date the consolidated financial statements were available to be issued.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

2. Liquidity and availability of resources

The table below presents financial assets available for general expenditure within one year at September 30, 2019.

Financial assets at year-end:

Cash and cash equivalents	\$ 1,636,349
Contract revenue and grants receivable	1,074,460
Contributions receivable	659,248
Investments	55,625,244
Assets held under charitable trust agreements	332,843
<hr/>	
Total financial assets at year-end	59,328,144

Less financial assets restricted for use/not available over the next 12 months:

Investments held in Reserve Fund	(52,906,064)
Investments held in Gift Fund	(159,383)
Investments held for others in a split interest agreement	(332,843)
<hr/>	

Financial assets available to meet general expenditures over the next twelve months	\$ 5,929,854
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RFF regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. RFF has various sources of liquidity including cash and cash equivalents, marketable debt and equity securities, and contributions without and with donor restrictions. RFF considers all expenditures related to its ongoing activities of supporting the mission, fundraising and administration to be general expenditures. RFF strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

3. Investments

The following is a summary of the investment portfolio by security type as of September 30:

	2019	2018
Operating fund		
Money market accounts	\$ 2,559,797	\$ 6,248
Reserve fund		
Money market accounts	560,644	148,182
Domestic equity	13,038,305	16,116,110
International equity and emerging markets	8,964,926	9,815,954
Mutual fund – fixed income	4,719,547	4,936,691
Fixed income – corporate and Governmental	4,986,780	7,245,272
Alternative funds	20,599,296	20,030,880
Private placement	30,254	30,254
Equity exchange traded funds	6,312	6,417
Total reserve fund	52,906,064	58,329,760
Gift fund		
Money market accounts	8,381	7,630
Mutual fund – domestic	82,689	64,640
Mutual fund – international	19,360	55,468
Mutual fund – fixed income	48,953	44,266
Total gift fund	159,383	172,004
Total investment portfolio	\$ 55,625,244	\$ 58,508,012

Investment income for the years ended September 30 is as follows:

	2019	2018
Non-operating		
Interest and dividends	\$ 1,197,148	\$ 1,162,503
Investment and custodial fees	(330,581)	(221,986)
Realized gains on investment transactions	441,768	1,004,684
Unrealized gains on investment transactions	1,528,069	2,079,827
Total investment income	\$ 2,836,404	\$ 4,025,028

In December 2017, RFF entered into a liquidity access line agreement against a portion of their investment holdings. The amount of the access line was initially established at \$10,000,000 and will be adjusted daily based on the market value of securities held in collateral accounts, and bears interest at the 30-day London Interbank Offering Rate plus 100 bps. The line has no set due date and remains in effect until transferred or paid. There were no borrowings as of September 30, 2019 and 2018.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

4. Fair value The fair value of assets and liabilities as of September 30, 2019 is as follows:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2019	Total			
Investment portfolio:				
Money market accounts	\$ 3,128,822	\$ 3,128,822	\$ -	\$ -
Mutual funds – domestic	82,689	82,689	-	-
Mutual funds – international	19,360	19,360	-	-
Mutual funds – fixed income	4,768,500	4,768,500	-	-
Domestic equity	13,038,305	13,038,305	-	-
International equity and emerging markets	8,964,926	8,964,926	-	-
Fixed income	4,986,780	-	4,986,780	-
Private placement	30,254	-	-	30,254
Equity exchange traded funds	6,312	6,312	-	-
Total assets within the fair value hierarchy	35,025,948	30,008,914	4,986,780	30,254
Investments valued at net asset value ^(a)	20,599,296			
Total investment portfolio	55,625,244			
Assets held under trust:				
Money market	6,086	6,086	-	-
Mutual fund – domestic	157,305	157,305	-	-
Mutual fund – international	59,625	59,625	-	-
Mutual fund – fixed income	109,827	109,827	-	-
Total assets held under trust	332,843	332,843	-	-
Split interest obligation	(177,623)	-	-	(177,623)
Total fair value	\$ 55,780,464	\$ 30,341,757	\$ 4,986,780	\$ (147,369)

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

The fair value of assets and liabilities as of September 30, 2018 is as follows:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2018	Total			
Investment portfolio:				
Money market accounts	\$ 162,061	\$ 162,061	\$ -	\$ -
Mutual funds – domestic	64,640	64,640	-	-
Mutual funds – international	55,468	55,468	-	-
Mutual funds – fixed income	4,980,956	4,980,956	-	-
Domestic equity	16,116,110	16,116,110	-	-
International equity and emerging markets	9,815,954	9,815,954	-	-
Fixed income	7,245,272	-	7,245,272	-
Private placement	30,254	-	-	30,254
Equity exchange traded funds	6,417	6,417	-	-
Total assets within the fair value hierarchy	38,477,132	31,201,606	7,245,272	30,254
Investments valued at net asset value ^(a)	20,030,880			
Total investment portfolio	58,508,012			
Assets held under trust:				
Money market	716	716	-	-
Mutual fund – domestic	143,818	143,818	-	-
Mutual fund – international	119,140	119,140	-	-
Mutual fund – fixed income	82,269	82,269	-	-
Total assets held under trust	345,943	345,943	-	-
Split interest obligation	(190,724)	-	-	(190,724)
Total fair value	\$ 58,663,231	\$ 31,547,549	\$ 7,245,272	\$ (160,470)

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

- (a) In accordance with ASU 2015-07, certain investments that were measured at net asset value per share (or its equivalent) as of September 30, 2019 and 2018 have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Consolidated Statements of Financial Position.

Level 1 values were developed utilizing quoted prices in active markets.

Level 2 values for corporate bonds and government securities were developed utilizing quoted prices for similar assets in active markets for substantially the full term of the financial instrument.

Level 3 values for private placement investments were developed based on RFF's determination of fair value based upon the best available information and may incorporate management assumptions and best estimates after considering a variety of internal and external factors.

Level 3 values for split-interest obligations are developed utilizing actuarial calculations.

A reconciliation of beginning and ending balances of investments valued using significant unobservable (Level 3) inputs for the year ended September 30, 2019 is as follows:

	Balance at September 30, 2018	Total realized gains or losses	Total unrealized gains or losses	Purchases and issuances	Sales and settlements	Balance at September 30, 2019
Private placement						
Hicks						
Muse	\$ 30,254	\$ -	\$ -	\$ -	\$ -	\$ 30,254
Split interest obligation	\$ (190,724)	\$ (1,023)	\$ 6,381	\$(12,517)	\$ 19,898	\$ (177,623)

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

5. Investments measured at net asset value

RFF's determination of fair value is based upon the best available information and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. The values generally represent the RFF's proportionate share of the fund's capital as reported by the general partners of the fund. RFF has decided through monitoring the valuation methodologies and practices of managers to rely on the fair values reported by the fund managers, unless information becomes available indicating the reported NAV may require adjustment. RFF assessed factors including, but not limited to, the external advisor's adherence to fair value principles in calculating the capital account balance, RFF's ability to redeem these investments at NAV at the measurement date, and the existence or absence of certain restrictions at the measurement date. RFF believes the reported amount of the alternative investments is a reasonable estimate of fair value as of September 30, 2019 and 2018. RFF has no plans to sell the investments for a value other than the NAV as of September 30, 2019.

Investments measured at net asset value as of September 30, 2019 and 2018 are as follows:

September 30, 2019	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity hedge fund B	\$ 2,948,531	\$ -	Quarterly	90 days
Master/feeder fund B	929,932	210,000	Must be negotiated	Must be negotiated
Equity hedge fund C	1,634,264	-	Must be negotiated	Must be negotiated
Master/feeder fund D	3,299,607	-	Monthly	45 days
Master/feeder fund E	2,792,273	-	Quarterly	65 days
Master/feeder fund F	2,499,351	-	Quarterly	30 days
Master/feeder fund G	2,256,835	-	Quarterly	60 days
Master/feeder fund H	1,165,558	1,200,000	Must be negotiated	Must be negotiated
Fund of funds C	3,072,945	-	Must be negotiated	Must be negotiated
Total	\$ 20,599,296	\$ 1,410,000		

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

September 30, 2018	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity hedge fund B	\$ 3,497,279	\$ -	Quarterly	90 days
Master/feeder fund B	1,066,899	210,000	Must be negotiated	Must be negotiated
Fund of funds B	400,000	-	Must be negotiated	Must be negotiated
Equity hedge fund C	1,636,289	-	Must be negotiated	Must be negotiated
Master/feeder fund D	3,040,266	-	Monthly	45 days
Master/feeder fund E	2,685,180	-	Quarterly	65 days
Master/feeder fund F	2,365,233	-	Quarterly	30 days
Master/feeder fund G	2,221,017	-	Quarterly	60 days
Master/feeder fund H	400,000	1,600,000	Must be negotiated	Must be negotiated
Fund of funds C	2,718,717	-	Must be negotiated	Must be negotiated
Total	\$ 20,030,880	\$ 1,810,000		

The fund managers' strategy is to build low volatility portfolios that employ market neutral or market uncorrelated investment strategies that offer risk adjusted returns. The alternative investments held through equity hedge funds incorporate multiple strategies to diversify risk including convertible bond arbitrage, credit opportunities, purchase or short sale of distressed securities, event-driven investing, global derivatives, debentures, and commercial paper. The master/feeder funds have strategies which include investing in private companies, debt securities, physical commodities, credit default swaps, and opportunistic investments. The fund of funds has a strategy which includes investing in directional equity, macro fund investments, and event driven investments.

6. Risks and uncertainties

RFF holds investments in various securities and alternative investments that are exposed to risks, such as interest rate, credit, and overall volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future statements of financial position.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

7. Contributions receivable	At September 30, 2019 and 2018, RFF had unconditional contributions receivable that included amounts due in:		
		2019	2018
	Less than one year	\$ 654,248	\$ 1,578,945
	One to five years	5,000	535,499
	Six to twenty years	-	1,000,000
	Contributions receivable before discount	659,248	3,114,444
	Present value discount	-	(381,978)
	Contributions receivable	\$ 659,248	\$ 2,732,466

The receivables due in one year or more have been discounted to their present value using a risk adjusted rate of 6.20% determined at the time of pledge. Changes in the present value discount are recorded as contribution revenue and are included in general support and contributions on the accompanying Statements of Activities and Changes in Net Assets. In fiscal year 2019, the contribution receivable of \$1,000,000 was paid in full before the anticipated due date.

8. Fixed assets

Fixed assets consisted of the following as of September 30:

	2019	2018
Building – 1616 P Street	\$ 10,856,319	\$ 10,508,822
Land – 1616 P Street	12,981,367	12,981,367
Building improvements	1,478,804	1,478,804
Furniture and equipment	1,482,027	2,278,921
Fixed assets	26,798,517	27,247,914
Accumulated depreciation	(6,924,182)	(7,370,153)
Fixed assets, net	\$ 19,874,335	\$ 19,877,761

Depreciation expense is included on the accompanying Consolidated Statements of Functional Expenses as follows for the years ended September 30:

	2019	2018
Building and related improvement depreciation included in occupancy expense	\$ 289,383	\$ 285,504
Computer and telephone system depreciation included in research expense	151,244	107,667
Furniture and equipment depreciation	140,586	138,887
Total depreciation expense	\$ 581,213	\$ 532,058

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

9. Retirement plan RFF employees are eligible for participation in RFF's defined contribution retirement program, which is invested in individual retirement contracts at TIAA-CREF, insurance companies or USI Consulting Group. Individual contracts issued under the plan provide for full and immediate vesting of both RFF and participant contributions. RFF's contributions amounted to \$878,988 and \$809,003 for the years ended September 30, 2019 and 2018, respectively.

10. Postretirement benefits other than pensions Employees who retire under RFF's retirement plan with a minimum of five years of service are covered by RFF's medical plan at one year for every two completed years of service. Benefits are provided to eligible retirees after age 63 and to their dependents. RFF accrues the expected costs of such benefits during a portion of the employees' years of service. RFF's postretirement benefit obligations under this plan as of September 30, 2019 and 2018 were estimated to be \$1,179,699 and \$1,094,000, respectively, and these amounts are included in the accompanying Consolidated Statements of Financial Position. The obligation was determined utilizing assumptions of a 4% medical inflation factor for the years ended September 30, 2019 and 2018, and a discount rate of 2.85% and 4% for the years ended September 30, 2019 and 2018, respectively. There are no separate plan assets associated with these liabilities. The plan expenses for the years ended September 30, 2019 and 2018 were as follows:

	2019	2018
Service costs	\$ 20,715	\$ 175,896
Projected interest cost	64,984	61,104
Net periodic cost	\$ 85,699	\$ 237,000

Actual payments made under the plan were \$20,739 and \$20,311 for the years ended September 30, 2019 and 2018, respectively.

Benefits expected to be paid in each of the next five years are as follows:

Year Ending September 30,	Amount
2020	\$ 48,672
2021	56,243
2022	70,192
2023	72,999
2023	67,062

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

11. Split interest agreements

RFF enters into split interest arrangements whereby donations are held in trust by RFF and invested. A percentage of the original funds, at a rate determined at the inception of the trust, is payable to the donor for a specified period of time or until the donor's death, after which time RFF may use the investments for operations or a restricted use specified by the donor. RFF is the trustee of two charitable remainder unitrusts (CRUT's) where they have the charitable remainder interest. RFF utilizes an IRS-approved annuity table to actuarially calculate the liability associated with the estimated donor payments under these arrangements. RFF determined the discount rate to be used in the month the split interest arrangements were entered into with the donor and these rates have ranged from 5.4% to 6.5%. The present value of the actuarially determined liability resulting from these gifts was recorded at the date of the gift, as adjusted annually thereafter, and approximates fair value. The combined trust assets as of September 30, 2019 and 2018 are as follows:

	2019	2018
Money market accounts	\$ 6,086	\$ 716
Mutual fund – domestic	157,305	143,818
Mutual fund – international	59,625	119,140
Mutual fund – fixed income	109,827	82,269
Assets held under charitable trust agreements	\$ 332,843	\$ 345,943

The trust assets are Level 1 investments (see Note 4). The estimated present value of liabilities under the CRUT are reflected as liabilities under split-interest agreements in the accompanying Consolidated Statements of Financial Position.

12. Net assets with restrictions

Net assets with restrictions, other than endowments, are restricted for the following program areas as of September 30, 2019 and 2018:

	2019			
	Net assets with restrictions, other than endowments, as of September 30, 2018	Contributions, Grants, Transfers and Gain (Loss) on Investments	Satisfaction of Temporary Restrictions	Net assets with restrictions, other than endowments, as of September 30, 2019
Energy and Climate	\$ 4,292,269	\$ 1,200,578	\$ 3,446,710	\$ 2,046,137
Land, Water and Nature	1,329,796	501,658	699,233	1,132,221
Other Research Programs	309,850	228,846	181,059	357,637
Total	\$ 5,931,915	\$ 1,931,082	\$ 4,327,002	\$ 3,535,995

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

	2018			
	Net assets with restrictions, other than endowments, as of September 30, 2017	Contributions, Grants and Gain on Investments	Satisfaction of Temporary Restrictions	Net assets with restrictions, other than endowments, as of September 30, 2018
Energy and Climate	\$ 2,702,211	\$ 4,983,676	\$ 3,393,618	\$ 4,292,269
Land, Water and Nature	893,969	1,026,507	590,680	1,329,796
Other Research Programs	722,850	(20,000)	393,000	309,850
Total	\$ 4,319,030	\$ 5,990,183	\$ 4,377,298	\$ 5,931,915

13. Endowments

RFF's endowment consists of permanently restricted contributions established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of the Relevant Law

RFF's management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary and as allowing RFF to appropriate funds for expenditure as RFF determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor. As a result of this interpretation, RFF classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, RFF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and donor-restricted endowment fund
3. General economic conditions

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

RFF's Endowment consists of net assets with restrictions that are held in perpetuity. The income is used to fund certain chairs, which as of September 30, 2019 and 2018 are as follows:

	2019	2018
Gaskins chair	\$ 2,000,000	\$ 2,000,000
Starr chair	2,004,047	2,004,047
Klutznick chair	1,422,710	1,422,710
Krutilla fund	139,650	139,650
Landsberg fund	31,135	31,135
Kneese fund	325,365	325,365
Total	\$ 5,922,907	\$ 5,922,907

Underwater Endowment Funds - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial gift amounts (underwater). When underwater endowment funds exist, they are classified as a reduction of net assets with donor restrictions.

Investment and Spending Policies

Return Objectives and Risk Parameters - RFF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period and board designated funds. RFF's investment policy aims to return an amount equal to 5% plus inflation to maintain the real value of the fund.

Strategies Employed for Achieving Objectives - The Finance Committee evaluates, selects and monitors one or more investment managers to directly manage RFF's investment portfolio of assets within general guidelines provided.

Spending Policy and How the Investment Objectives Relate to Spending Policy - RFF's spending policy is 5% of the average market value of the funds over the past two and one half years.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

The change in endowment net assets for the year ended September 30, 2019 is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets at September 30, 2019	\$ -	\$ 6,740,953	\$ 6,740,953
Contributions	-	-	-
Expenditures	-	(296,145)	(296,145)
Investment gain	-	300,112	300,112
Transfers	-	-	-
Endowment net assets at September 30, 2019	\$ -	\$ 6,744,920	\$ 6,744,920

The change in endowment net assets for the year ended September 30, 2018 is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets at September 30, 2018	\$ -	\$ 7,181,475	\$ 7,181,475
Contributions	-	-	-
Expenditures	-	(296,145)	(296,145)
Investment gain	-	422,123	422,123
Transfers	-	(566,500)	(566,500)
Endowment net assets at September 30, 2018	\$ -	\$ 6,740,953	\$ 6,740,953

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA as of September 30, 2019 and 2018 is \$5,922,907. The endowment net asset composition by type of fund was as follows:

September 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 5,922,907	\$ 5,922,907
Accumulated investment gains	-	822,013	822,013
Total endowment funds	\$ -	\$ 6,744,920	\$ 6,744,920

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

September 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 5,922,907	\$ 5,922,907
Accumulated investment gains	-	818,046	818,046
Total endowment funds	\$ -	\$ 6,740,953	\$ 6,740,953

14. Operating leases

RFF owns the office building at 1616 P Street, N.W., in Washington, D.C. RFF occupies almost 40% of the building and leases the majority of the balance of the office space to other like-purpose 501(c)(3) organizations. These operating leases expire in various years through fiscal year 2029.

Future minimum payments receivable as of September 30, 2019 are listed below:

Year ending September 30,	Amount
2020	\$ 1,294,543
2021	1,327,948
2022	1,330,733
2023	1,253,632
2024	1,161,918
Thereafter	5,333,063
Total	\$ 11,701,837

Total lease revenue for the 1616 P Street office building was \$1,626,145 and \$1,543,572 for the years ended September 30, 2019 and 2018, respectively. Net tenant allowances for leasehold improvements and other property management activities are included with Other Assets on the Consolidated Statements of Financial Position.

15. Land acquisition

The land at 1616 P Street was owned by an unrelated party. RFF was leasing the land under a 99-year lease at a rate of \$242,000 per year. Total rent expense was \$121,002 for the year ended September 30, 2018. During fiscal year 2018, RFF exercised the option to purchase the land at 1616 P Street for \$12,981,367.

In fiscal year 2017, RFF established two District of Columbia Limited Liability Companies, to be known as 1616 P LandCo, LLC and 1616 P OpCo, LLC, of which RFF is the sole member. 1616 P LandCo, LLC exists for the limited purpose of acquiring and holding title to property purchases and leasing the property to RFF, and 1616 P OpCo, LLC exists for the limited purpose of leasing property to tenants (See Note 1).

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

16. Tax-exempt bond financing

RFF obtained permanent financing on the 1616 P Street building through the issuance of District of Columbia Variable Rate Revenue Bonds, Series 1998. The interest rate on these bonds was determined weekly by a remarketing agent.

To support the Series 1998 bonds, RFF had an Irrevocable Letter of Credit from Citibank in the amount of \$7,405,600. This letter of credit was evergreen as it automatically renewed every year. It was secured by a first priority security interest in the building and fixtures, located at 1616 P Street, N.W., Washington, D.C. and the assignment of all leases.

In fiscal year 2018, these bonds were redeemed and RFF obtained financing for a new and separate bond issuance.

On December 28, 2017 RFF obtained new bank-qualified tax-exempt financing through the issuance of District of Columbia Variable Rate Revenue Bonds, Series 2017 (Series 2017 Bonds), valued at \$23,400,000 to refinance the prior debt on the 1616 P Street building, and to use for land acquisition and certain capital projects. The initial interest rate set on the bonds is 2.55% per annum. This redeemed all outstanding Series 1998 Bonds at the principal amount of \$4,310,000 plus accrued interest of \$4,689.

To support the Series 2017 Bonds, RFF obtained a Term Loan in the amount of \$23,400,000. The outstanding principal on the term loan shall bear interest at the initial bond rate of 2.55% per annum. It is secured by a first priority security interest in the building and fixtures, located at 1616 P Street, N.W., Washington, D.C. and the assignment of all leases. Principal payments begin in fiscal year 2020 and the loan matures December 28, 2027. Future principal payments on the term loan are as follows:

Year ending September 30,	Amount
2020	\$ 392,000
2021	533,000
2022	547,000
2023	562,000
2024	576,000
Thereafter	20,790,000
Total	\$ 23,400,000

RFF had debt issuance costs of \$620,809 related to the Series 2017 Bonds which is amortized over the term of the loan. Net financing costs recorded against the bond liability was \$560,696 and \$614,121 as of September 30, 2019 and 2018, respectively.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

- 17. Concentration** Total general support and contributions revenue in the accompanying Consolidated Statement of Activities and Changes in Net Assets includes one donor contributing 11% of the total revenue for the year ended September 30, 2019. No similar concentrations were noted for revenue for the year ended September 30, 2018. Total contributions receivable in the accompanying Consolidated Statements of Financial Position includes pledges from one and two donors comprising 23% and 36% of total contributions receivable as of September 30, 2019 and 2018, respectively.



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Resources for the Future, Inc.
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **Resources for the Future, Inc.** (the "Organization") (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of September 30, 2019, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered **Resources for the Future, Inc.**'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Resources for the Future, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Resources for the Future, Inc.**'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

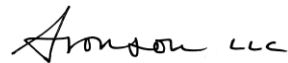
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Resources for the Future, Inc.'s** consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rockville, Maryland
March 6, 2020



Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Resources for the Future, Inc.
Washington, D.C.

Report on Compliance for the Major Federal Program

We have audited **Resources for the Future, Inc.**'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on **Resources for the Future, Inc.**'s major federal program for the year ended September 30, 2019. **Resources for the Future, Inc.**'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for **Resources for the Future, Inc.**'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Resources for the Future, Inc.**'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of **Resources for the Future, Inc.**'s compliance.

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Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

Opinion on the Major Federal Program

In our opinion, **Resources for the Future, Inc.** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of **Resources for the Future, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Resources for the Future, Inc.**'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Resources for the Future, Inc.**'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Aronson LLC

Rockville, Maryland
March 6, 2020

Resources for the Future, Inc.

Schedule of Expenditures of Federal Awards

<i>Year Ended September 30, 2019</i>	Federal CFDA or ID Number	Total Grant or Contract Awarded	Passed Through to Subrecipients	Total 2019 Federal Expenditures
Federal Grantor/Pass-Through Grantor/Program Title				
Research and Development Cluster				
National Oceanic and Atmospheric Administration				
Tetra Tech (NOAA)				
NOAA HYSPLIT Model	ESD-T37115.09	\$ 99,979	\$ -	\$ 21,895
The Value of NOAA's Digital Coast	EA-133C-16-CQ-0045	266,982	-	17,292
North Pacific Research Board (NOAA)				
Socioeconomic Impacts of Fisheries Management	11.472	197,765	-	30,588
PSMFC (NOAA)				
Analysis of Pacific Halibut Charter Fisheries in Alaska	NA14NMF4370120	4,000	-	4,000
Total Indirect National Oceanic and Atmospheric Administration		568,726	-	73,775
U.S. Environmental Protection Agency				
Georgia Tech University (EPA)				
Integrated Analysis of Land Use	83588001	75,655	-	48,535
ICF Incorporated, LLC (EPA)				
CGE Model	EP-C-16-020	1,673	-	1,566
Total Indirect U.S. Environmental Protection Agency		77,328	-	50,101
University of Maryland-College Park (NSF)				
Environmental Synthesis Center (SESYNC) 2017	DBI-1052875	317,392	-	158,068
Advancing Economic & Ecological Systems Models	DBI-1052875	2,093,735	-	46,922
SESYNC Water Models	DBI-1052875	605,929	-	227,482
SESYNC Network Models	DBI-1052875	575,040	-	123,246
SESYNC Land Use Models	DBI-1052875	771,661	-	231,679
MSG Management	DBI-1052875	141,163	-	59,281
Northern Arizona University (NSF)				
CNH-L Scale-Dependent Feedbacks Among Protected Areas	47.074	219,123	-	41,837
Total Indirect National Science Foundation		4,724,043	-	888,515

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Resources for the Future, Inc.

Schedule of Expenditures of Federal Awards

National Aeronautics Space Agency				
VALUABLES	43.001	512,937	-	275,227
VALUABLES - Communications	43.001	248,427	-	11,348
GRACE	NNX17AD72G	158,988	-	41,208
Supporting a VOI Study of the Carbon Cycle	80NSSC19K0175	50,035	-	40,080
Valuing and Enabling	NNX17AD55G	256,000	-	138,925
Total Direct National Aeronautics Space Agency		1,226,387	-	506,788
U.S.D.A./Forest Service				
Bioeconomic Modeling for Invasive Species	14-8130-0449-CA	128,302	-	19,545
Role of the U.S. Public in Pest Detection	10.025	140,000	-	140,000
Reducing Pest & Pathogen Invasion	17-JV-11242303-071	15,000	-	9,124
Gains from Synchronizing Conservation Activities	10.310	499,997	-	164,223
Total Direct U.S.D.A./Forest Service		783,299	-	332,892
Montana State University transferred to Texas Tech (USDA)				
The Importance of Water Resources	10.310	228,820	-	78,872
University of Missouri (USDA)				
The Importance of Water Resources	N/A	80,000	-	18,303
University of Maryland (USDA)				
Adapting agroecosystems to Saltwater Intrusion	N/A	203,735	-	43,524
Total Direct & Indirect U.S.D.A./Forest Service		1,295,854	-	473,591
U.S. Department of Homeland Security				
University of Pennsylvania (HS)				
Evaluating the Private Flood Insurance Market	N/A	42,255	-	17,573
Total Indirect U.S. Department of Homeland Security		42,255	-	17,573
Total Research and Development Cluster Federal Expenditures		\$ 7,934,593	\$ -	\$ 2,010,343

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Resources for the Future, Inc.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of presentation	The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Resources for the Future, Inc. under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Resources for the Future, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Resources for the Future, Inc.	
2. Summary of significant accounting policies	Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.	
3. Indirect cost rate	The Company has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.	
4. Reconciliation of revenue	The reconciliation of the Schedule of Expenditures of Federal Awards to the Statement of Activities and Changes in Net Assets is as follows:	
	Schedule of Expenditures of Federal Awards	\$ 2,010,343
	Other institutions	448,105
	Private restricted funding	1,630,970
	Total program grants and contracts	\$ 4,089,418

Resources for the Future, Inc.

Schedule of Findings and Questioned Costs

For The Year Ended September 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(s) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(s) identified? yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with 2 CFR 200.516(a)?

 yes X no

Identification of Major Programs:

CFDA or ID Number
Research and Development Cluster
11.472, 47.074, 43.001, 10.025, 10.310,
ESD-T37115.09, NA14NMF4370120,
EP-C-16-020, 83588001,
DBI-1052875, 80NSSC19K0175
NNX17AD72G, NNX17AD55G
14-8130-0449-CA, 17-JV-11242303-071

Federal Grantor
NOAA, EPA, NSF,
NASA, USDA/Forest Service, HS

Resources for the Future, Inc.

Schedule of Findings and Questioned Costs (Continued)

For The Year Ended September 30, 2019

Section I - Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between type A
and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV – Prior Year Findings

None