

RESOURCES FOR THE FUTURE, INC.

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS AND SUPPLEMENTARY
INFORMATION**

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020, 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 Matters

As discussed in Notes 3 and 4, the consolidated financial statements include investments valued at \$20,353,675 (30% of net assets) at September 30, 2021, and \$18,643,579 (31% of net assets) at September 30, 2020, 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

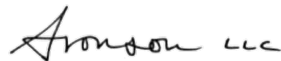
Other Information

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 19, 2022 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 19, 2022

Resources for the Future, Inc.

Consolidated Statements of Financial Position

<i>September 30,</i>	2021	2020
Assets		
Cash and cash equivalents	\$ 651,669	\$ 1,230,657
Grants receivable	2,084,746	1,446,191
Contributions receivable	487,800	1,954,228
Other receivables	272,599	-
Investments	65,982,211	58,364,447
Fixed assets - net of accumulated depreciation	20,532,255	20,211,811
Assets held under charitable trust agreements	412,151	345,595
Other assets	3,068,727	4,090,187
Total assets	\$ 93,492,158	\$ 87,643,116
Liabilities and Net Assets		
Tax-exempt bond financing, net of financing costs of \$504,434 and \$532,565 respectively	\$ 22,051,745	\$ 22,552,123
Payroll Protection Program loan	-	1,448,900
Accounts payable and accrued liabilities	2,082,383	1,667,401
Deferred revenue	323,077	471,226
Postretirement benefits	785,607	1,110,445
Liabilities under split-interest agreements	223,327	179,530
Funds held for others	116,335	146,264
Total liabilities	25,582,474	27,575,889
Net assets		
Net assets without donor restrictions	51,088,523	47,777,216
Net assets without donor restrictions - programmatic reserve	4,573,900	-
Total net assets without donor restrictions	55,662,423	47,777,216
Net assets with donor restrictions	12,247,261	12,290,011
Total net assets	67,909,684	60,067,227
Total liabilities and net assets	\$ 93,492,158	\$ 87,643,116

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, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets			
Revenue			
Program grants	\$ 3,505,869	\$ 2,915,852	\$ 6,421,721
General support and contributions	6,348,007	-	6,348,007
Rental income	1,335,179	-	1,335,179
Investment returns designated for operations	4,250,000	-	4,250,000
Net assets released from restrictions	4,038,967	(4,038,967)	-
Total operating revenue	19,478,022	(1,123,115)	18,354,907
Expenses			
Research programs			
Research	8,680,420	-	8,680,420
Academic Relations	6,294	-	6,294
Communications	1,436,251	-	1,436,251
Other direct	44	-	44
Total research program expenses	10,123,009	-	10,123,009
Research support	258,802	-	258,802
Fundraising	1,177,729	-	1,177,729
Management and administration	3,166,780	-	3,166,780
1616 P Street operations and maintenance	1,687,336	-	1,687,336
Total functional expenses	16,413,656	-	16,413,656
Change in net assets from operations	3,064,366	(1,123,115)	1,941,251
Non-operating change in net assets			
Investment income - net	790,015	99,249	889,264
Realized and unrealized gains on investment transactions	7,804,705	981,116	8,785,821
Investment income allocation to operating	(4,250,000)	-	(4,250,000)
Change in value of estimated insurance pool benefit liability	476,121	-	476,121
Change in net assets	7,885,207	(42,750)	7,842,457
Net assets at beginning of year	47,777,216	12,290,011	60,067,227
Net assets at end of year	\$ 55,662,423	\$ 12,247,261	\$ 67,909,684

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, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets			
Revenue			
Program grants	\$ 1,991,334	\$ 5,367,996	\$ 7,359,330
General support and contributions	5,202,569	-	5,202,569
Rental income	1,615,260	-	1,615,260
Investment returns designated for operations	4,320,000	-	4,320,000
Net assets released from restrictions	3,009,128	(3,009,128)	-
Total operating revenue	16,138,291	2,358,868	18,497,159
Expenses			
Research programs			
Research	8,372,709	-	8,372,709
Academic Relations	10,382	-	10,382
Communications	1,022,803	-	1,022,803
Other direct	5,563	-	5,563
Total research program expenses	9,411,457	-	9,411,457
Fundraising	898,411	-	898,411
Management and administration	3,334,741	-	3,334,741
1616 P Street operations and maintenance	1,689,601	-	1,689,601
Total functional expenses	15,334,210	-	15,334,210
Change in net assets from operations	804,081	2,358,868	3,162,949
Non-operating revenues			
Investment income - net	1,090,248	-	1,090,248
Realized and unrealized gains on investment transactions	2,469,591	472,241	2,941,832
Investment income allocation to operating	(4,320,000)	-	(4,320,000)
Change in net assets	43,920	2,831,109	2,875,029
Net assets at beginning of year	47,733,296	9,458,902	57,192,198
Net assets at end of year	\$ 47,777,216	\$ 12,290,011	\$ 60,067,227

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, 2021

	Program expenses										1616 P Street Operations and Maintenance	Total
	Research	Academic Relations	Communi- cations	Other Direct	Programs Total	Research Support	Fundraising	Management and Administration				
RFF functional expenses												
Salaries	\$ 3,480,947	\$ 4,552	\$ 709,806	\$ -	\$ 4,195,305	\$ 1,170,331	\$ 783,281	\$ 1,616,935	\$ -	\$ 7,765,852		
Benefits	913,229	1,309	195,248	-	1,109,786	290,664	217,750	128,219	-	1,746,419		
Total salaries and benefits	4,394,176	5,861	905,054	-	5,305,091	1,460,995	1,001,031	1,745,154	-	9,512,271		
Other costs												
Building operations	-	-	-	-	-	-	-	28,420	2,465,431	2,493,851		
Occupancy	597,677	433	98,891	3	697,004	-	81,091	-	(778,095)	-		
Research support	1,658,118	-	-	-	1,658,118	(1,658,464)	-	346	-	-		
Communications	-	-	9,007	-	9,007	-	397	23,430	-	32,834		
Computer services	957	-	44,631	-	45,588	-	-	391,142	-	436,730		
Outside consultants	952,970	-	285,240	41	1,238,251	19,558	50,796	194,796	-	1,503,401		
Conferences	7,888	-	12,821	-	20,709	-	2,782	25,354	-	48,845		
Travel	1,080	-	-	-	1,080	-	-	3,813	-	4,893		
Publication costs	13,768	-	42,428	-	56,196	4,899	408	38,706	-	100,209		
Subawards	801,394	-	-	-	801,394	-	-	-	-	801,394		
Professional services	349	-	-	-	349	331,410	-	454,275	-	786,034		
Grants	200,000	-	-	-	200,000	-	-	-	-	200,000		
Depreciation	-	-	-	-	-	-	-	148,805	-	148,805		
Other	52,043	-	38,179	-	90,222	100,404	41,224	112,539	-	344,389		
Total other costs	4,286,244	433	531,197	44	4,817,918	(1,202,193)	176,698	1,421,626	1,687,336	6,901,385		
Total RFF functional expenses	8,680,420	6,294	1,436,251	44	10,123,009	258,802	1,177,729	3,166,780	1,687,336	16,413,656		
Total indirect costs	1,378,395	2,182	399,063	16	1,779,656	-	401,020	(3,166,780)	986,104	-		
Total on full absorption basis	\$ 10,058,815	\$ 8,476	\$ 1,835,314	\$ 60	\$ 11,902,665	\$ 258,802	\$ 1,578,749	\$ -	\$ 2,673,440	\$ 16,413,656		

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, 2020

	Program expenses										1616 P Street Operations and Maintenance	
	Research	Academic Relations	Communi- cations	Other Direct	Programs Total	Research Support	Fundraising	Management and Administration			Total	
RFF functional expenses												
Salaries	\$ 3,615,134	\$ 2,152	\$ 461,322	\$ -	\$ 4,078,608	\$ 1,065,244	\$ 453,172	\$ 1,587,245	\$ -	\$ 7,184,269		
Benefits	915,038	603	125,436	-	1,041,077	326,299	119,582	377,609	-	1,864,567		
Resident consultants	-	-	-	-	-	-	2,500	-	-	2,500		
Total salaries and benefits	4,530,172	2,755	586,758	-	5,119,685	1,391,543	575,254	1,964,854	-	9,051,336		
Other costs												
Building operations	-	-	-	-	-	-	-	3,918	2,466,140	2,470,058		
Occupancy	630,902	780	76,883	418	708,983	-	67,556	-	(776,539)	-		
Research support	1,782,262	-	-	-	1,782,262	(1,782,262)	-	-	-	-		
Communications	50	-	430	-	480	-	1,445	47,416	-	49,341		
Computer services	357	-	157	-	514	190	-	340,889	-	341,593		
Outside consultants	754,916	-	170,947	-	925,863	63,514	84,318	166,451	-	1,240,146		
Conferences	34,643	3,093	80,733	4,214	122,683	12,872	3,305	29,825	-	168,685		
Travel	31,978	519	1,133	728	34,358	16,659	6,902	25,372	-	83,291		
Publication costs	74,080	-	49,011	203	123,294	4,727	4,000	43,873	-	175,894		
Subawards	206,535	-	-	-	206,535	-	-	-	-	206,535		
Professional services	-	-	3,153	-	3,153	240,428	-	352,625	-	596,206		
Fellowship stipend	2,210	-	17,528	-	19,738	-	-	-	-	19,738		
Grants	287,500	-	-	-	287,500	-	-	-	-	287,500		
Depreciation	-	-	-	-	-	-	-	148,600	-	148,600		
Other	37,104	3,235	36,070	-	76,409	52,329	155,631	210,918	-	495,287		
Total other costs	3,842,537	7,627	436,045	5,563	4,291,772	(1,391,543)	323,157	1,369,887	1,689,601	6,282,874		
Total RFF functional expenses	8,372,709	10,382	1,022,803	5,563	9,411,457	-	898,411	3,334,741	1,689,601	15,334,210		
Total indirect costs	2,150,324	3,697	351,544	1,993	2,507,558	-	317,900	(3,334,741)	509,283	-		
Total on full absorption basis	\$ 10,523,033	\$ 14,079	\$ 1,374,347	\$ 7,556	\$ 11,919,015	\$ -	\$ 1,216,311	\$ -	\$ 2,198,884	\$ 15,334,210		

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>	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 7,842,457	\$ 2,875,029
Adjustments to reconcile increase in net assets to net cash used by operating activities		
Depreciation	642,082	625,634
Amortization of bond financing costs	28,131	28,131
Net realized and unrealized gains on investments	(8,785,821)	(2,941,832)
Net realized and unrealized gains on assets held under charitable trust agreements	(54,031)	(7,269)
Realized (gain) loss from sale of gift funds	(23,164)	3,692
Donated stock	(1,150,311)	(737,693)
Forgiveness of Payroll Protection Program loan	(1,448,900)	-
(Increase) decrease in		
Grants receivable	(638,555)	(371,731)
Contributions receivable	1,466,428	(1,294,980)
Other receivables	(272,599)	-
Other assets	1,021,460	134,542
Increase (decrease) in		
Grants and awards payable	-	(42,836)
Accounts payable and accrued liabilities	414,982	66,198
Postretirement benefits	(324,838)	(69,254)
Deferred revenue	(148,149)	236,264
Liabilities under split-interest agreements	28,153	(13,737)
Funds held for others	(29,929)	(13,119)
Net cash used by operating activities	(1,432,604)	(1,522,961)
Cash flows from investing activities		
Purchases of investments	(941,545)	(1,290,199)
Proceeds from sales of investments	3,270,552	2,221,346
Disbursements from charitable trust agreements	15,644	15,644
Purchases of fixed assets	(962,526)	(963,110)
Net cash provided (used) by investing activities	1,382,125	(16,319)

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>	2021	2020
Cash flows from financing activities		
Proceeds from issuance of Payroll Protection Program loan	-	1,448,900
Principal payments on tax-exempt bond financing	(528,509)	(315,312)
Net cash (used) provided by financing activities	(528,509)	1,133,588
Change in cash and cash equivalents	(578,988)	(405,692)
Cash and cash equivalents at beginning of year	1,230,657	1,636,349
Cash and cash equivalents at end of year	\$ 651,669	\$ 1,230,657
Supplemental information		
Cash paid for interest	\$ 604,825	\$ 734,331

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.

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. The programmatic reserve is designated by the board of directors to support programming in future years.

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. Expenses are recorded when incurred and revenues recorded when earned.

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 receivable: Grants receivable are recorded when grant funding is unconditionally promised. 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, 2021 and 2020.

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, 2021 and 2020.

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
Building - 1616 P Street	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 recognition: RFF adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers (ASC 606)* on October 1, 2020. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

Accordingly, the following revenue stream is within the scope of ASC 606:

Consulting: RFF has Firm-Fixed-Price (FFP) contracts for customized consulting services. Revenue is recognized at a point in time. Total revenue recognized at a point in time under ASC 606 was \$242,911 for the year ended September 30, 2021.

Contract costs: Costs to fulfill the FFP contracts include direct salaries, fringe benefits, allocated overhead, and other miscellaneous expenses. RFF does not incur incremental costs to obtain the contracts.

Contract assets and liabilities: There were no contract assets or liabilities at September 30, 2021 and 2020.

The following revenue streams are outside of the scope of ASC 606:

Program grants and general support and contributions (collectively “contributions”): Contributions include U.S. government grants, foundation grants, corporate grants, and individual gifts. Such contributions are recognized as revenue as RFF receives unconditional funding or overcomes conditional barriers. For conditionally funded U.S. government grants and certain other conditional foundation and corporate grants, revenue is recognized as qualifying direct and allocated indirect expenses are incurred. Other conditional foundation and corporate grants are recognized as stipulations related to the purpose of the underlying agreements are satisfied by RFF. Conditional funding received in advance is reported as deferred revenue. Revenue associated with reimbursable costs incurred in excess of advances and reimbursements is reported as grants receivable.

Conditional contributions associated with funded U.S. government grants, but not yet expended or recognized, totaled \$2,210,061 and \$4,218,037 as of September 30, 2021 and 2020, respectively. Other conditional contributions not yet recognized totaled \$1,747,696 and \$1,536,659 as of September 30, 2021 and 2020, respectively.

Donor restricted contributions are recognized solely as increases in net assets without donor restrictions if the donor restrictions are met in the same period as initial recognition. Additionally, donor restricted contributions that were initially conditional contributions, where all donor restrictions and conditions are met in the same year as initial recognition, are recognized solely as increases in net assets without donor restrictions.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

Contributions received in the form of stock donations are liquidated upon receipt.

Rental income: Rental income is recognized ratably over the period of the lease, net of any amortization of lessee leasehold improvements paid for by RFF.

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.

Allocated Expenses

Employee benefits
Occupancy
Research support
Management and administration

Basis for Allocation

Total salaries
Program and fundraising costs
Research costs
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, 2021 and 2020, 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 2018 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.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

Recently adopted accounting standards: In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 only applies to revenue generated from exchange transactions.

ASC 606 was effective for annual reporting periods beginning after December 15, 2018. However, in accordance with Accounting Standards Update (“ASU”) 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, RFF could elect to follow the original effective date for ASC 606, or elect to adopt the guidance on October 1, 2020. Accordingly, effective October 1, 2020, RFF elected to adopt the requirements of ASC 606, using the modified retrospective method. As part of the adoption of ASC 606, RFF elected to use the following practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not substantially completed at the initial date of application. The adoption of ASC 606 did not have a material impact on RFF’s financial statements.

During 2021, RFF adopted ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The objective of ASU No. 2018-13 is to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by generally accepted accounting principles that is most important to users of each entity’s financial statements. The primary result of adoption of the ASU was elimination of the rollforward for recurring Level 3 fair value measurements which was replaced with disclosure of transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. ASU No. 2018-13 has been applied retrospectively at Note 4.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

Deferred accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. ASU No. 2016-02 was originally effective for RFF on October 1, 2021. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which delays the effective date of ASU No. 2016-02 to annual reporting periods beginning after December 15, 2021. RFF plans to adopt ASU No. 2016-02 in accordance with the prescribed guidance effective October 1, 2022.

Subsequent events: Management has evaluated subsequent events for disclosure in the consolidated financial statements through March 19, 2022, which is the date the consolidated financial statements were available to be issued.

2. Liquidity and availability of resources

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

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 651,669	\$ 1,230,657
Grants receivable	2,084,746	1,446,191
Contributions receivable	487,800	1,954,228
Other receivables	272,599	-
Investments	65,982,211	58,364,447
Assets held under charitable trust agreements	412,151	345,595
Total financial assets at year-end	69,891,176	63,341,118
Less financial assets restricted for use/not available over the next 12 months:		
Pledges due beyond one year	(77,700)	(88,800)
Investments held in Reserve Fund	(61,837,286)	(51,187,586)
Investments held in Gift Fund	(101,725)	(155,690)
Investments held for others in a split interest agreement	(412,151)	(345,595)
Financial assets available to meet general expenditures over the next twelve months	\$ 7,462,314	\$ 11,563,447

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

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.

3. Investments

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

	2021	2020
Operating fund		
Money market accounts	\$ 4,043,200	\$ 7,021,171
Reserve fund		
Money market accounts	953,109	1,223,207
Domestic equity	20,494,245	13,179,085
International equity and emerging markets	12,578,502	8,492,053
Mutual funds – fixed income	6,537,440	4,603,218
Fixed income – corporate and Governmental	890,061	5,046,444
Alternative funds	20,353,675	18,613,325
Private placement	30,254	30,254
Total reserve fund	61,837,286	51,187,586
Gift fund		
Money market accounts	3,167	6,478
Mutual fund – domestic	73,075	90,815
Mutual fund – international	-	9,606
Mutual fund – fixed income	25,483	48,791
Total gift fund	101,725	155,690
Total investment portfolio	\$ 65,982,211	\$ 58,364,447

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, 2021 and 2020.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

4. Fair value The fair value of assets and liabilities as of September 30, 2021 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, 2021	Total			
Investment portfolio:				
Money market accounts	\$ 4,999,476	\$ 4,999,476	\$ -	\$ -
Mutual funds – fixed income	6,562,923	6,562,923	-	-
Domestic equity	20,567,320	20,567,320	-	-
International equity and emerging markets	12,578,502	12,578,502	-	-
Fixed income – corporate and governmental	890,061	-	890,061	-
Private placement	30,254	-	-	30,254
Total assets within the fair value hierarchy	45,628,536	44,708,221	890,061	30,254
Investments valued at net asset value ^(a)	20,353,675			
Total investment portfolio	65,982,211			
Assets held under trust:				
Money market accounts	7,196	7,196	-	-
Mutual fund – domestic	265,328	265,328	-	-
Mutual fund – international	22,649	22,649	-	-
Mutual fund – fixed income	116,978	116,978	-	-
Total assets held under trust	412,151	412,151	-	-
Split interest obligation	(223,327)	-	-	(223,327)
Total fair value	\$ 66,171,035	\$ 45,094,889	\$ 915,544	\$ (193,073)

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

The fair value of assets and liabilities as of September 30, 2020 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, 2020	Total			
Investment portfolio:				
Money market accounts	\$ 8,250,856	\$ 8,250,856	\$ -	\$ -
Mutual funds – fixed income	4,652,009	4,652,009	-	-
Domestic equity	13,269,900	13,269,900	-	-
International equity and emerging markets	8,501,659	8,501,659	-	-
Fixed income – corporate and governmental	5,046,444	-	5,046,444	-
Private placement	30,254	-	-	30,254
Total assets within the fair value hierarchy	39,751,122	34,625,633	5,095,235	30,254
Investments valued at net asset value ^(a)	18,613,325			
Total investment portfolio	58,364,447			
Assets held under trust:				
Money market account	4,731	4,731	-	-
Mutual fund – domestic	240,775	240,775	-	-
Mutual fund – international	43,329	43,329	-	-
Mutual fund – fixed income	56,760	56,760	-	-
Total assets held under trust	345,595	345,595	-	-
Split interest obligation	(179,530)	-	-	(179,530)
Total fair value	\$ 58,530,512	\$34,971,228	\$5,095,235	\$ (149,276)

(a) In accordance with ASU 2015-07, certain investments that were measured at net asset value (NAV) per share (or its equivalent) as of September 30, 2021 and 2020 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.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

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.

Level 3 Summary

The following table summarizes the valuation techniques and significant unobservable inputs used for RFF's liabilities categorized within Level 3 of the fair value hierarchy at September 30, 2021 and 2020:

	Fair Value at 9/30/2021	Fair Value at 9/30/2020	Valuation Techniques	Unobservable Inputs	Range of Significant Input Values
Split interest obligation	\$ (223,327)	\$ (179,530)	Income approach / present value of future cash flows	Fair value of future annuity payments / remaining life of beneficiaries	Discount rate – 5.4% - 6.5% Remaining life – 1 – 16 years

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, 2021 and 2020. RFF has no plans to sell the investments for a value other than the NAV as of September 30, 2021.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

Investments measured at net asset value as of September 30, 2021 and 2020 are as follows:

September 30, 2021	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Master/feeder fund B	\$ 514,752	\$ 210,000	Must be negotiated	Must be negotiated
Equity hedge fund C	1,596,854	-	Must be negotiated	Must be negotiated
Master/feeder fund E	2,448,891	-	Quarterly	65 days
Master/feeder fund F	3,645,427	-	Quarterly	30 days
Master/feeder fund G	4,076,056	-	Quarterly	60 days
Master/feeder fund H	1,700,621	700,000	Must be negotiated	Must be negotiated
Fund of funds C	3,278,604	-	Must be negotiated	Must be negotiated
Fund of funds D	1,531,544	-	Must be negotiated	Must be negotiated
Fund of funds E	1,560,926	-	Must be negotiated	Must be negotiated
Total	\$ 20,353,675	\$ 910,000		

September 30, 2020	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity hedge fund B	\$ 3,333,949	\$ -	Quarterly	90 days
Master/feeder fund B	623,786	210,000	Must be negotiated	Must be negotiated
Equity hedge fund C	1,680,034	-	Must be negotiated	Must be negotiated
Master/feeder fund E	3,396,593	-	Quarterly	65 days
Master/feeder fund F	2,422,607	-	Quarterly	30 days
Master/feeder fund G	2,390,029	-	Quarterly	60 days
Master/feeder fund H	1,523,832	700,000	Must be negotiated	Must be negotiated
Fund of funds C	3,242,495	-	Must be negotiated	Must be negotiated
Total	\$ 18,613,325	\$ 910,000		

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

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.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. RFF is closely monitoring its liquidity and is actively working to minimize the impact of the pandemic on its operations. The extent of the impact of COVID-19 on RFF's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on RFF's donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact RFF's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

7. Contributions receivable

At September 30, 2021 and 2020, RFF had unconditional contributions receivable that included amounts due in:

	2021	2020
Less than one year	\$ 410,100	\$ 1,865,428
One to five years	55,500	55,500
Beyond five years	22,200	33,300
Contributions receivable	\$ 487,800	\$ 1,954,228

Management has determined recording a discount on contributions receivable due more than one year from year end as of September 30, 2021 and 2020 to be immaterial to the financial statements.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

8. Fixed assets

Fixed assets consisted of the following as of September 30:

	2021	2020
Building – 1616 P Street	\$ 12,514,400	\$ 11,648,524
Land – 1616 P Street	12,981,367	12,981,367
Building improvements	1,502,198	1,502,198
Furniture and equipment	1,679,176	1,598,187
Fixed assets	28,677,141	27,730,276
Accumulated depreciation	(8,144,886)	(7,518,465)
Fixed assets, net	\$ 20,532,255	\$ 20,211,811

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

	2021	2020
Building and related improvement depreciation included in occupancy expense	\$ 291,395	\$ 298,023
Computer and telephone system depreciation included in research expense	201,882	179,011
Furniture and equipment depreciation	148,805	148,600
Total depreciation expense	\$ 642,082	\$ 625,634

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 \$851,500 and \$769,327 for the years ended September 30, 2021 and 2020, respectively.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

- 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, 2021 and 2020 were estimated to be \$785,607 and \$1,110,445, respectively, and these amounts are included in the accompanying Consolidated Statements of Financial Position. The obligation was determined utilizing assumptions of a 0.44% and 4.20% medical inflation factor for the years ended September 30, 2021 and 2020, respectively, and a discount rate of 2.02% and 2.85% for the years ended September 30, 2021 and 2020. There are no separate plan assets associated with these liabilities. The plan (benefit) expense for the years ended September 30, 2021 and 2020 was as follows:

	2021	2020
Service costs	\$ 14,171	\$ 5,196
Other gain ^A	(344,166)	-
Projected interest cost	27,317	64,058
Net periodic (benefit) cost	\$ (302,678)	\$ 69,254

^A During 2021, the assumed medical inflation factor decreased from 4.20% to 0.44%. As a result, estimated future costs decreased and a gain was recorded for the year ended September 30, 2021.

Actual payments made under the plan were \$22,161 and \$16,008 for the years ended September 30, 2021 and 2020, respectively.

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

Year Ending September 30,	Amount
2022	\$ 60,529
2023	60,795
2024	53,939
2025	52,132
2026	57,495

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, 2021 and 2020 are as follows:

	2021	2020
Money market accounts	\$ 7,196	\$ 4,731
Mutual fund – domestic	265,328	240,775
Mutual fund – international	22,649	43,329
Mutual fund – fixed income	116,978	56,760
Assets held under charitable trust agreements	\$ 412,151	\$ 345,595

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.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

- 12. Net assets with restrictions** Net assets with restrictions, other than endowments, are restricted for the following program areas as of September 30, 2021 and 2020:

2021				
	Net assets with restrictions, other than endowments, as of September 30, 2020	Contributions, Grants, Transfers and Investment Income and Gain	Satisfaction of Temporary Restrictions	Net assets with restrictions, other than endowments, as of September 30, 2021
Designing Smart Emissions Reduction	\$ 4,235,652	\$ 3,636,107	\$ (3,241,532)	\$ 4,630,227
Confronting Risks and Building Resilience	561,625	324,110	(160,535)	725,200
Other Research Programs	992,537	36,000	(636,900)	391,637
Total	\$ 5,789,814	\$ 3,996,217	\$ (4,038,967)	\$ 5,747,064

2020				
	Net assets with restrictions, other than endowments, as of September 30, 2019	Contributions, Grants and Gain on Investments	Satisfaction of Temporary Restrictions	Net assets with restrictions, other than endowments, as of September 30, 2020
Designing Smart Emissions Reduction	\$ 2,046,137	\$ 3,965,274	\$ (1,775,759)	\$ 4,235,652
Confronting Risks and Building Resilience	1,132,221	186,673	(757,269)	561,625
Other Research Programs	357,637	1,111,000	(476,100)	992,537
Total	\$ 3,535,995	\$ 5,262,947	\$ (3,009,128)	\$ 5,789,814

- 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.

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Notes to Consolidated Financial Statements

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
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, 2021 and 2020 are as follows:

	2021	2020
Gaskins chair	\$ 2,000,000	\$ 2,000,000
Starr chair	2,004,047	2,004,047
Klutznick chair	2,000,000	2,000,000
Krutilla fund	139,650	139,650
Landsberg fund	31,135	31,135
Kneese fund	325,365	325,365
Total	\$ 6,500,197	\$ 6,500,197

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Notes to Consolidated Financial Statements

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.

The change in endowment net assets for the year ended September 30, 2021 is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets at September 30, 2020	\$ -	\$ 7,469,441	\$ 7,469,441
Contributions	-	-	-
Expenditures	-	(325,010)	(325,010)
Investment income and gain	-	1,080,365	1,080,365
Transfers	-	-	-
Endowment net assets at September 30, 2021	\$ -	\$ 8,224,796	\$ 8,224,796

Resources for the Future, Inc.

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The change in endowment net assets for the year ended September 30, 2020 is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets at September 30, 2019	\$ -	\$ 7,322,210	\$ 7,322,210
Contributions	-	-	-
Expenditures	-	(325,010)	(325,010)
Investment gain	-	472,241	472,241
Transfers	-	-	-
Endowment net assets at September 30, 2020	\$ -	\$ 7,469,441	\$ 7,469,441

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, 2021 and 2020 is \$6,500,197. The endowment net asset composition by type of fund was as follows:

September 30, 2021	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	\$ -	\$ 6,500,197	\$ 6,500,197
Accumulated investment gains	-	1,724,599	1,724,599
Total endowment funds	\$ -	\$ 8,224,796	\$ 8,224,796

September 30, 2020	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	\$ -	\$ 6,500,197	\$ 6,500,197
Accumulated investment gains	-	969,244	969,244
Total endowment funds	\$ -	\$ 7,469,441	\$ 7,469,441

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.

Resources for the Future, Inc.

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Future minimum payments receivable as of September 30, 2021 are listed below:

Year ending September 30,	Amount
2022	\$ 1,330,733
2023	1,253,632
2024	1,161,918
2025	1,190,966
2026	1,058,917
Thereafter	3,083,179
Total	\$ 9,079,345

Total lease revenue for the 1616 P Street office building was \$1,335,179 and \$1,615,260 for the years ended September 30, 2021 and 2020, 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. Tax-exempt bond financing

On December 28, 2017 RFF obtained 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 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 bears 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 began in fiscal year 2020 and the loan matures December 28, 2027.

On February 18, 2021, RFF refinanced a \$10,500,000 portion of the Term Loan (refinanced term loan). Outstanding principal on the refinanced term loan bears interest at a variable rate of LIBOR plus 1.75%. The interest rate was 2.11% as of September 30, 2021. 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 began in fiscal year 2021 and the loan matures December 1, 2027.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

Concurrently with the refinancing, RFF entered into an interest rate swap agreement with the issuing bank. Under the terms of the agreement, RFF effectively pays a fixed interest rate of 1.10% per annum on the outstanding principal of the refinanced term loan until maturity.

Future principal payments on the term loans are as follows:

Year ending September 30,	Term Loan (original)	Refinanced Term Loan
2022	\$ 295,000	\$ 251,000
2023	303,000	258,000
2024	310,000	265,000
2025	322,000	268,000
2026	329,000	275,000
Thereafter	10,641,179	9,039,000
Total	\$ 12,200,179	\$ 10,356,000

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 \$504,434 and \$532,565 as of September 30, 2021 and 2020, respectively. Management has determined costs associated with issuance of the refinanced term to be immaterial to the consolidated financial statements.

16. Concentration For the year ended September 30, 2021, the contribution associated with forgiveness of the PPP loan (see Note 17) comprised 23% of total general support and contributions revenue in the accompanying Consolidated Statement of Activities and Changes in Net Assets. For the year ended September 30, 2020, two donors comprised 13% of total general support and contributions revenue in the accompanying Consolidated Statement of Activities and Changes in Net Assets.

17. PPP loan In April 2020, RFF received a loan in the amount of \$1,448,900, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP loan had a two-year term and bore interest at a rate of 1.00% per annum. Monthly principal and interest payments were deferred for six months after the date of disbursement. The PPP loan was able to be prepaid at any time prior to maturity with no prepayment penalties. The CARES Act provides that the PPP loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. RFF applied for full forgiveness of the PPP loan during the year ended September 30, 2021. On April 12, 2021, RFF received notification it obtained full forgiveness of the loan.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

RFF elected the treatment under ASC 460 – *Debt* to account for the receipt of the PPP loan. Accordingly, the PPP loan was initially recorded as a liability. Upon notification of full loan forgiveness, RFF recorded a contribution of \$1,448,900 to reflect the nonreciprocal legal release of the obligation as required by ASC 958 – *Not-for-profit Entities*.



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Independent Auditor's Report on Supplementary Information

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

We have audited the consolidated financial statements of **Resources for the Future, Inc.** as of and for the years ended September 30, 2021 and 2020, and our report thereon dated March 19, 2022, which expressed an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Determination of Cost Recovery Rates 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.

Rockville, Maryland
March 19, 2022

Resources for the Future, Inc.

Schedule of Determination of Cost Recovery Rates

Year Ended September 30, 2021

Management and administration rate

Management and administration costs	\$ 3,166,780
-------------------------------------	--------------

Determination of direct cost base

Total program costs before allocation of occupancy	9,425,121
--	-----------

Plus: fundraising costs before allocation of occupancy	1,096,638
--	-----------

Total direct cost base	\$ 10,521,759
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Management and administration rate	30.10%
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Regular fringe benefits rate

Regular benefits	\$ 1,595,990
------------------	--------------

Regular salaries	\$ 7,052,249
------------------	--------------

Regular fringe benefits rate	22.63%
------------------------------	---------------

Research assistant fringe benefits rate

Research assistant benefits	\$ 150,429
-----------------------------	------------

Research assistant salaries	\$ 713,603
-----------------------------	------------

Research assistant fringe benefits rate	21.08%
---	---------------

Occupancy rate

Occupancy expense	\$ 778,095
-------------------	------------

Determination of occupancy base

Total program costs	9,425,121
---------------------	-----------

Plus: fundraising costs	1,096,638
-------------------------	-----------

Total occupancy base	\$ 10,521,759
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Occupancy rate	7.40%
----------------	--------------

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



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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, 2021, 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 19, 2022.

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) as a basis for designing 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.

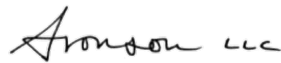
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Continued)

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 consolidated financial statements. 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 19, 2022



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, 2021. **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, 2021.

Report on Internal Control over Compliance

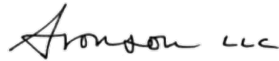
Management of **Resources for the Future, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Resources for the Future, Inc.**'s 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.



Rockville, Maryland
March 19, 2022

Resources for the Future, Inc.

Schedule of Expenditures of Federal Awards

<i>Year Ended September 30, 2021</i>	Federal CFDA or ID Number	Total Grant or Contract Awarded	Passed Through to Subrecipients	Total 2021 Federal Expenditures
Federal Grantor/Pass-Through Grantor/Program Title				
Research and Development Cluster				
National Science Foundation				
University of Maryland-College Park (NSF)				
Environmental Synthesis Center (SESYNC) 2017	DBI-1052875	\$ 845,000	\$ -	\$ 167,408
Advancing Economic & Ecological Systems Models	DBI-1052875	2,093,735	-	29,634
SESYNC Water Models	DBI-1052875	605,929	-	112,912
SESYNC Network Models	DBI-1052875	575,040	25,119	116,073
SESYNC Land Use Models	DBI-1052875	771,661	-	83,248
Northern Arizona University (NSF)				
CNH-L Scale-Dependent Feedbacks Among Protected Areas	47.074	219,123	-	53,892
Total Indirect National Science Foundation		5,110,488	25,119	563,167
National Aeronautics Space Agency				
VALUABLES	43.001	3,250,348	279,457	788,505
Total Direct National Aeronautics Space Agency		3,250,348	279,457	788,505
U.S.D.A./Forest Service/N.I.F.A.				
Reducing Pest & Pathogen Invasion	17-JV-11242303-071	28,989	-	2,991
Gains from Synchronizing Conservation Activities	10.310	499,997	114,881	118,792
Importance of Forest Products Markets	20-DG-11094200-214	78,058	-	53,062
Economics of Wildfire's Impacts on Water	20-JV-11272131-052	33,600	-	21,857
Linking Policy Analysis to Natural Resource Assessment	20-JV-11132650-317	80,000	-	53,475
Wildfire Risks in Rural Communities	2021-67023-34483	425,015	25,102	81,028
Cost of Foodborne Illness Data	59-5000-0-0033	650,000	-	19,913
Wildfire and Outdoor Communities in Western U.S.	2020-67023-33258	600,172	-	181,241
Total Direct U.S.D.A./Forest Service/N.I.F.A.		2,395,831	139,983	532,359
University of Missouri (USDA)				
The Importance of Water Resources	N/A	80,000	-	33,812
University of Maryland (USDA)				
Adapting agroecosystems to Saltwater Intrusion	N/A	203,735	-	3,353
Total Direct & Indirect U.S.D.A./Forest Service/N.I.F.A.		2,679,566	139,983	569,524
Total Research and Development Cluster Federal Expenditures		\$ 11,040,402	\$ 444,559	\$ 1,921,196

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, 2021. 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 Consolidated Statement of Activities and Changes in Net Assets is as follows:	
	Schedule of Expenditures of Federal Awards	\$ 1,921,196
	Government contracts – fixed fee and purchase orders	242,911
	Other foundation and corporate grants	4,257,614
	Total program grants	\$ 6,421,721

Resources for the Future, Inc.

Schedule of Findings and Questioned Costs

For The Year Ended September 30, 2021

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
47.074, 43.001, 10.310,
EA-133C-16-CQ-0045, 68HE0C18D0001
DBI-1052875, 17-JV-11242303-071
20-DG-11094200-214, 20-JV-11272131-052
20-JV-11132650-317, 2021-67023-34483
59-5000-0-0033, 2020-67023-33258, 624235, 7295

Federal Grantor
NOAA, EPA, NSF,
NASA, USDA/Forest Service
NIFA, DOE

Resources for the Future, Inc.

Schedule of Findings and Questioned Costs (Continued)

For The Year Ended September 30, 2021

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