

**RESOURCES FOR THE FUTURE, INC.**

**AUDITED CONSOLIDATED FINANCIAL  
STATEMENTS AND SUPPLEMENTARY  
INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

# Resources for the Future, Inc.

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## Independent Auditor's Report

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

### *Opinion*

We have audited the accompanying consolidated financial statements of **Resources for the Future, Inc.** (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of September 30, 2022, 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 financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Resources for the Future, Inc.** as of September 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of **Resources for the Future, Inc.** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Prior Period Financial Statements*

The financial statements as of September 30, 2021, were audited by Aronson LLC, who merged with Aprio, LLP as of January 1, 2023, and whose report dated March 19, 2022, expressed an unmodified opinion on those statements.

### *Emphasis of Matters*

As discussed in Notes 3 and 4, the consolidated financial statements include investments valued at \$21,873,992 (39% of net assets) at September 30, 2022, and \$20,353,675 (30% of net assets) at September 30, 2021, 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.

## **Independent Auditor's Report (Continued)**

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **Resources for the Future Inc.'s** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Resources for the Future, Inc.'s** ability to continue as a going concern for a reasonable period of time.

## **Independent Auditor's Report (Continued)**

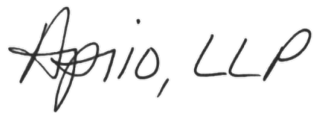
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary 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 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2023 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.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is stylized, with the first letter 'A' being particularly large and the letters 'p', 'r', 'i', 'o' following in a cursive-like fashion. The comma and 'LLP' are written more plainly.

Rockville, Maryland  
March 3, 2023

## Resources for the Future, Inc.

### Consolidated Statements of Financial Position

| <i>September 30,</i>  | <b>2022</b>          | 2021                 |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| Cash and cash equivalents   | \$ 607,164           | \$ 651,669           |
| Grants receivable   | 1,287,021            | 2,084,746            |
| Contributions receivable  | 157,700              | 487,800              |
| Other receivables   | 272,599              | 272,599              |
| Investments   | 55,043,225           | 65,982,211           |
| Fixed assets - net of accumulated depreciation                                    | 20,276,972           | 20,532,255           |
| Assets held under charitable trust agreements                                     | 221,920              | 412,151              |
| Interest rate swap  | 1,236,158            | -                    |
| Other assets  | 2,777,380            | 3,068,727            |
| <b>Total assets</b>   | <b>\$ 81,880,139</b> | <b>\$ 93,492,158</b> |
| <b>Liabilities and Net Assets</b>   |                      |                      |
| Bond financing, net of financing costs of<br>\$476,303 and \$504,434 respectively | \$ 21,559,822        | \$ 22,051,745        |
| Accounts payable and accrued liabilities  | 1,939,672            | 2,082,383            |
| Refundable advances   | 1,144,683            | 323,077              |
| Postretirement benefits   | 778,624              | 785,607              |
| Liabilities under split-interest agreements                                       | 232,843              | 223,327              |
| Funds held for others   | 90,376               | 116,335              |
| <b>Total liabilities</b>  | <b>25,746,020</b>    | <b>25,582,474</b>    |
| <b>Net assets</b>   |                      |                      |
| Net assets without donor restrictions   | 39,912,577           | 51,088,523           |
| Net assets without donor restrictions - programmatic reserve                      | 4,647,348            | 4,573,900            |
| Total net assets without donor restrictions                                       | 44,559,925           | 55,662,423           |
| Net assets with donor restrictions  | 11,574,194           | 12,247,261           |
| <b>Total net assets</b>   | <b>56,134,119</b>    | <b>67,909,684</b>    |
| <b>Total liabilities and net assets</b>   | <b>\$ 81,880,139</b> | <b>\$ 93,492,158</b> |

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, 2022</i>                    | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total                |
|---|----------------------------------|-------------------------------|----------------------|
| <b>Changes in net assets</b>                            |                                  |                               |                      |
| <b>Revenue</b>  |                                  |                               |                      |
| Program grants and contracts                            | \$ 1,881,118                     | \$ 4,020,798                  | \$ 5,901,916         |
| General support and contributions                       | 4,454,204                        | -                             | 4,454,204            |
| Rental income   | 1,202,176                        | -                             | 1,202,176            |
| Investment returns designated for operations            | 4,250,000                        | -                             | 4,250,000            |
| Net assets released from restrictions                   | 3,936,838                        | (3,936,838)                   | -                    |
| <b>Total operating revenue</b>                          | <b>15,724,336</b>                | <b>83,960</b>                 | <b>15,808,296</b>    |
| <b>Expenses</b>   |                                  |                               |                      |
| <b>Research programs</b>                                |                                  |                               |                      |
| Research  | 8,757,509                        | -                             | 8,757,509            |
| Academic Relations                                      | 35,241                           | -                             | 35,241               |
| Communications  | 1,258,344                        | -                             | 1,258,344            |
| <b>Total research program expenses</b>                  | <b>10,051,094</b>                | <b>-</b>                      | <b>10,051,094</b>    |
| Research support  | 578,288                          | -                             | 578,288              |
| Fundraising   | 1,263,054                        | -                             | 1,263,054            |
| Management and administration                           | 3,891,004                        | -                             | 3,891,004            |
| 1616 P Street operations and maintenance                | 1,021,687                        | -                             | 1,021,687            |
| <b>Total functional expenses</b>                        | <b>16,805,127</b>                | <b>-</b>                      | <b>16,805,127</b>    |
| <b>Change in net assets from operations</b>             | <b>(1,080,791)</b>               | <b>83,960</b>                 | <b>(996,831)</b>     |
| <b>Non-operating change in net assets</b>               |                                  |                               |                      |
| Investment income - net                                 | 806,945                          | 88,334                        | 895,279              |
| Realized and unrealized loss on investment transactions | (7,814,810)                      | (845,361)                     | (8,660,171)          |
| Unrealized gain on interest rate swap                   | 1,236,158                        | -                             | 1,236,158            |
| Investment income allocation to operating               | (4,250,000)                      | -                             | (4,250,000)          |
| <b>Change in net assets</b>                             | <b>(11,102,498)</b>              | <b>(673,067)</b>              | <b>(11,775,565)</b>  |
| <b>Net assets at beginning of year</b>                  | <b>55,662,423</b>                | <b>12,247,261</b>             | <b>67,909,684</b>    |
| <b>Net assets at end of year</b>                        | <b>\$ 44,559,925</b>             | <b>\$ 11,574,194</b>          | <b>\$ 56,134,119</b> |

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>                          | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>Total</b>         |
|---|---|--|----------------------|
| <b>Changes in net assets</b>                                  |   |  |                      |
| <b>Revenue</b>  |   |  |                      |
| Program grants and contracts                                  | \$ 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)                            | -                    |
| <b>Total operating revenue</b>                                | <b>19,478,022</b>                         | <b>(1,123,115)</b>                     | <b>18,354,907</b>    |
| <b>Expenses</b>   |   |  |                      |
| <b>Research programs</b>                                      |   |  |                      |
| Research  | 8,680,420                                 | -                                      | 8,680,420            |
| Academic Relations  | 6,294                                     | -                                      | 6,294                |
| Communications  | 1,436,251                                 | -                                      | 1,436,251            |
| Other direct  | 44  | -                                      | 44                   |
| <b>Total research program expenses</b>                        | <b>10,123,009</b>                         | <b>-</b>                               | <b>10,123,009</b>    |
| 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            |
| <b>Total functional expenses</b>                              | <b>16,413,656</b>                         | <b>-</b>                               | <b>16,413,656</b>    |
| <b>Change in net assets from operations</b>                   | <b>3,064,366</b>                          | <b>(1,123,115)</b>                     | <b>1,941,251</b>     |
| <b>Non-operating revenues</b>                                 |   |  |                      |
| 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              |
| <b>Change in net assets</b>                                   | <b>7,885,207</b>                          | <b>(42,750)</b>                        | <b>7,842,457</b>     |
| <b>Net assets at beginning of year</b>                        | <b>47,777,216</b>                         | <b>12,290,011</b>                      | <b>60,067,227</b>    |
| <b>Net assets at end of year</b>                              | <b>\$ 55,662,423</b>                      | <b>\$ 12,247,261</b>                   | <b>\$ 67,909,684</b> |

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, 2022

|                                       | Program expenses     |                    |                     |                      |                   | 1616 P Street       |                               |                            |                      |  |
|---------------------------------------|----------------------|--------------------|---------------------|----------------------|-------------------|---------------------|-------------------------------|----------------------------|----------------------|--|
|                                       | Research             | Academic Relations | Communi-cations     | Programs Total       | Research Support  | Fundraising         | Management and Administration | Operations and Maintenance | Total                |  |
| <b>RFF functional expenses</b>        |                      |                    |                     |                      |                   |                     |                               |                            |                      |  |
| Salaries                              | \$ 3,915,507         | \$ 8,543           | \$ 629,898          | \$ 4,553,948         | \$ 1,481,280      | \$ 853,365          | \$ 1,529,133                  | \$ -                       | \$ 8,417,726         |  |
| Benefits                              | 1,025,400            | 2,442              | 172,400             | 1,200,242            | 345,268           | 235,330             | 479,543                       | -                          | 2,260,383            |  |
| Intern salaries                       | 4,200                | -                  | 9,205               | 13,405               | 42,359            | 5,498               | 1,014                         | -                          | 62,276               |  |
| Total salaries and benefits           | 4,945,107            | 10,985             | 811,503             | 5,767,595            | 1,868,907         | 1,094,193           | 2,009,690                     | -                          | 10,740,385           |  |
| <b>Other costs</b>                    |                      |                    |                     |                      |                   |                     |                               |                            |                      |  |
| Building operations                   | -                    | -                  | -                   | -                    | -                 | -                   | 313,939                       | 1,722,768                  | 2,036,707            |  |
| Occupancy                             | 570,705              | 2,297              | 82,003              | 655,005              | 37,685            | 82,310              | -                             | (775,000)                  | -                    |  |
| Research support                      | 1,774,321            | -                  | -                   | 1,774,321            | (1,774,321)       | -                   | -                             | -                          | -                    |  |
| Communications                        | -                    | -                  | -                   | -                    | -                 | 472                 | 3,556                         | -                          | 4,028                |  |
| Computer services                     | 6,131                | -                  | 18                  | 6,149                | -                 | -                   | 447,290                       | -                          | 453,439              |  |
| Outside consultants                   | 941,438              | -                  | 242,638             | 1,184,076            | 64,764            | 10,200              | 162,303                       | -                          | 1,421,343            |  |
| Conferences                           | 65,141               | 18,475             | 25,329              | 108,945              | 160               | 28,521              | 64,386                        | -                          | 202,012              |  |
| Travel                                | 40,161               | 2,501              | 285                 | 42,947               | -                 | 3,987               | 33,211                        | -                          | 80,145               |  |
| Publication costs                     | 9,829                | -                  | 49,451              | 59,280               | 23,154            | 3,411               | 23,395                        | -                          | 109,240              |  |
| Subawards                             | 308,382              | -                  | -                   | 308,382              | -                 | -                   | -                             | -                          | 308,382              |  |
| Professional services                 | -                    | -                  | 1,425               | 1,425                | 270,133           | -                   | 496,191                       | -                          | 767,749              |  |
| Grants                                | 55,000               | -                  | -                   | 55,000               | -                 | -                   | -                             | -                          | 55,000               |  |
| Depreciation                          | -                    | -                  | -                   | -                    | -                 | -                   | 144,477                       | -                          | 144,477              |  |
| Other                                 | 41,294               | 983                | 45,692              | 87,969               | 87,806            | 39,960              | 192,566                       | 73,919                     | 482,220              |  |
| Total other costs                     | 3,812,402            | 24,256             | 446,841             | 4,283,499            | (1,290,619)       | 168,861             | 1,881,314                     | 1,021,687                  | 6,064,742            |  |
| <b>Total RFF functional expenses</b>  | <b>8,757,509</b>     | <b>35,241</b>      | <b>1,258,344</b>    | <b>10,051,094</b>    | <b>578,288</b>    | <b>1,263,054</b>    | <b>3,891,004</b>              | <b>1,021,687</b>           | <b>16,805,127</b>    |  |
| Total indirect costs                  | 2,568,902            | 11,027             | 393,722             | 2,973,651            | -                 | 395,195             | (3,891,004)                   | 522,158                    | -                    |  |
| <b>Total on full absorption basis</b> | <b>\$ 11,326,411</b> | <b>\$ 46,268</b>   | <b>\$ 1,652,066</b> | <b>\$ 13,024,745</b> | <b>\$ 578,288</b> | <b>\$ 1,658,249</b> | <b>\$ -</b>                   | <b>\$ 1,543,845</b>        | <b>\$ 16,805,127</b> |  |

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    |              |                               |                            |               | Total |
|---------------------------------------|------------------|--------------------|------------------|--------------|----------------|------------------|--------------|-------------------------------|----------------------------|---------------|-------|
|                                       | Research         | Academic Relations | Communi- cations | Other Direct | Programs Total | Research Support | Fundraising  | Management and Administration | Operations and Maintenance |               |       |
| <b>RFF functional expenses</b>        |                  |                    |                  |              |                |                  |              |                               |                            |               |       |
| 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     |       |
| <b>Other costs</b>                    |                  |                    |                  |              |                |                  |              |                               |                            |               |       |
| 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     |       |
| <b>Total RFF functional expenses</b>  | 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                    | -             |       |
| <b>Total on full absorption basis</b> | \$ 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 Statements of Cash Flows

| <i>Years Ended September 30,</i>  | <b>2022</b>        | <b>2021</b>        |
|---|--------------------|--------------------|
| <b>Cash flows from operating activities</b>   |                    |                    |
| Change in net assets  | \$ (11,775,565)    | \$ 7,842,457       |
| <b>Adjustments to reconcile change in net assets to net cash used by operating activities</b> |                    |                    |
| Depreciation  | 660,141            | 642,082            |
| Amortization of bond financing costs  | 28,131             | 28,131             |
| Net realized and unrealized loss (gains) on investments                                       | 8,660,171          | (8,785,821)        |
| Net realized and unrealized loss (gains) on assets held under charitable trust agreements     | 73,577             | (54,031)           |
| Realized loss (gain) from sale of gift funds  | 699                | (23,164)           |
| Donated stock   | (1,077,299)        | (1,150,311)        |
| Change in interest rate swap  | (1,236,158)        | -                  |
| Forgiveness of Paycheck Protection Program loan   | -                  | (1,448,900)        |
| <b>(Increase) decrease in</b>   |                    |                    |
| Grants receivable   | 797,725            | (638,555)          |
| Contributions receivable  | 330,100            | 1,466,428          |
| Other receivables   | -                  | (272,599)          |
| Other assets  | 291,347            | 1,021,460          |
| <b>Increase (decrease) in</b>   |                    |                    |
| Accounts payable and accrued liabilities  | (142,711)          | 414,982            |
| Postretirement benefits   | (6,983)            | (324,838)          |
| Refundable advances   | 821,606            | (148,149)          |
| Liabilities under split-interest agreements   | (15,934)           | 28,153             |
| Funds held for others   | (25,959)           | (29,929)           |
| <b>Net cash used by operating activities</b>  | <b>(2,617,112)</b> | <b>(1,432,604)</b> |
| <b>Cash flows from investing activities</b>   |                    |                    |
| Purchases of investments  | (1,043,058)        | (941,545)          |
| Proceeds from sales of investments  | 4,515,127          | 3,270,552          |
| Disbursements from charitable trust agreements  | 25,450             | 15,644             |
| Purchases of fixed assets   | (404,858)          | (962,526)          |
| <b>Net cash provided by investing activities</b>  | <b>3,092,661</b>   | <b>1,382,125</b>   |

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>                      | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|
| <b>Cash flows from financing activities</b>           |                   |                   |
| Principal payments on bond financing                  | (520,054)         | (528,509)         |
| <b>Net cash used by financing activities</b>          | <b>(520,054)</b>  | <b>(528,509)</b>  |
| <b>Change in cash and cash equivalents</b>            | <b>(44,505)</b>   | <b>(578,988)</b>  |
| <b>Cash and cash equivalents at beginning of year</b> | <b>651,669</b>    | <b>1,230,657</b>  |
| <b>Cash and cash equivalents at end of year</b>       | <b>\$ 607,164</b> | <b>\$ 651,669</b> |
| <b>Supplemental information</b>                       |                   |                   |
| Cash paid for interest                                | \$ 493,696        | \$ 604,825        |

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, 2022 and 2021.

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

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**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, 2022 and 2021.

**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. 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

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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.

**Interest rate swap:** As part of refinancing the bond, RFF entered into an agreement to manage the exposure to changes in interest rates on the outstanding debt through the use of an interest rate swap. This interest rate swap qualifies as a derivative financial instrument. The value for the interest rate swap agreement is estimated based on inputs including current interest rates and LIBOR forward rates and is included as a Level 2 investment in the fair value hierarchy.

**Refundable advances:** RFF receives conditional contributions for which the revenue is recognized when qualifying expenses are incurred or conditions are met. Funds received in advance of the conditions being met are recorded as refundable advances. Refundable advances were \$1,144,683 and \$323,077 as of September 30, 2022 and 2021, respectively.

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

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**Revenue recognition:** RFF applies the guidance from Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers (ASC 606)*. 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.

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

**Consulting:** For the year ended September 30, 2022, RFF has Firm-Fixed-Price (FFP) contracts for customized workshops and speaking engagements. Revenue for these contracts is recognized at a point in time. Total revenue recognized at a point in time under ASC 606 was \$7,672, for the year ended September 30, 2022. For the year ended September 30, 2021, RFF had FFP contracts for customized consulting. Revenue for these contracts was recognized over time. Total revenue recognized over time 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, 2022 and 2021.



## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

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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 \$2,143,950 and \$2,210,061 as of September 30, 2022 and 2021, respectively. Other conditional contributions not yet recognized totaled \$1,387,128 and \$1,747,696 as of September 30, 2022 and 2021, 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.

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.

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

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| <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, 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 2019 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.

**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 adopted 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 3, 2023, 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:

|  | 2022                | 2021                |
|--|---------------------|---------------------|
| Financial assets at year-end:  |                     |                     |
| Cash and cash equivalents  | \$ 607,164          | \$ 651,669          |
| Grants receivable  | 1,287,021           | 2,084,746           |
| Contributions receivable   | 157,700             | 487,800             |
| Other receivables  | 272,599             | 272,599             |
| Investments  | 55,043,225          | 65,982,211          |
| Assets held under charitable trust agreements  | 221,920             | 412,151             |
| <b>Total financial assets at year-end</b>  | <b>57,589,629</b>   | <b>69,891,176</b>   |
| Less financial assets restricted for use/not available over the next 12 months:        |                     |                     |
| Pledges due beyond one year  | (66,600)            | (77,700)            |
| Investments held in Reserve Fund   | (54,190,979)        | (61,837,286)        |
| Investments held in Gift Fund  | (90,376)            | (101,725)           |
| Investments held for others in a split interest agreement                              | (221,920)           | (412,151)           |
| <b>Financial assets available to meet general expenditures over the next 12 months</b> | <b>\$ 3,019,754</b> | <b>\$ 7,462,314</b> |

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. The Reserve Fund is available to meet general expenditures with approval from the board.

## 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:

|   | <b>2022</b>          | <b>2021</b>          |
|---|----------------------|----------------------|
| <b>Operating fund</b>                     |                      |                      |
| Money market accounts                     | \$ 761,870           | \$ 4,043,200         |
| <b>Reserve fund</b>                       |                      |                      |
| Money market accounts                     | 1,675,677            | 953,109              |
| Domestic equity                           | 15,256,215           | 20,494,245           |
| International equity and emerging markets | 8,796,110            | 12,578,502           |
| Mutual funds - fixed income               | 5,668,670            | 6,537,440            |
| Fixed income - corporate and governmental | 890,061              | 890,061              |
| Alternative funds                         | 21,873,992           | 20,353,675           |
| Private placement                         | 30,254               | 30,254               |
| <b>Total reserve fund</b>                 | <b>54,190,979</b>    | <b>61,837,286</b>    |
| <b>Gift fund</b>                          |                      |                      |
| Money market accounts                     | 3,211                | 3,167                |
| Mutual fund - domestic                    | 66,927               | 73,075               |
| Mutual fund - fixed income                | 20,238               | 25,483               |
| <b>Total gift fund</b>                    | <b>90,376</b>        | <b>101,725</b>       |
| <b>Total investment portfolio</b>         | <b>\$ 55,043,225</b> | <b>\$ 65,982,211</b> |

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, 2022 and 2021.

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

**4. Fair value** The fair value of assets and liabilities as of September 30, 2022 is as follows:

|   |                      | Fair Value Measurements Using   |   |  |
|---|----------------------|---|---|--|
|   |                      | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| September 30, 2022                                      | Total                |   |   |  |
| <b>Investment Portfolio:</b>                            |                      |   |   |  |
| Money market accounts                                   | \$ 2,440,758         | \$ 2,440,758  | \$ -  | \$ -   |
| Mutual funds - fixed income                             | 5,688,908            | 5,688,908   | -   | -  |
| Domestic equity   | 15,323,142           | 15,323,142  | -   | -  |
| International equity and<br>emerging markets            | 8,796,110            | 8,796,110   | -   | -  |
| Fixed income - corporate and<br>governmental            | 890,061              | -   | 890,061   | -  |
| Private placement                                       | 30,254               | -   | -   | 30,254   |
| Total assets within the fair<br>value hierarchy         | 33,169,233           | 32,248,918  | 890,061   | 30,254   |
| Investments valued at net<br>asset value <sup>(a)</sup> | 21,873,992           |   |   |  |
| <b>Total investment portfolio</b>                       | <b>55,043,225</b>    |   |   |  |
| <b>Assets held under trust:</b>                         |                      |   |   |  |
| Money market accounts                                   | 4,305                | 4,305   | -   | -  |
| Mutual fund - domestic                                  | 136,745              | 136,745   | -   | -  |
| Mutual fund - international                             | 17,582               | 17,582  | -   | -  |
| Mutual fund - fixed income                              | 63,288               | 63,288  | -   | -  |
| Total assets held under trust                           | 221,920              | 221,920   | -   | -  |
| Interest rate swap                                      | 1,236,158            | -   | 1,236,158   | -  |
| Split interest obligation                               | (232,843)            | -   | -   | (232,843)  |
| <b>Total fair value</b>                                 | <b>\$ 56,268,460</b> | <b>\$ 32,470,838</b>  | <b>\$ 2,126,219</b>                                       | <b>\$ (202,589)</b>                                |

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

The fair value of assets and liabilities as of September 30, 2021 is as follows:

|   |                      | Fair Value Measurements Using   |  |   |
|---|----------------------|---|--|---|
| September 30, 2021                                      | Total                | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets (Level 1) | Significant<br>Other<br>Observable<br>Inputs (Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) |
| <b>Investment Portfolio:</b>                            |                      |   |  |   |
| 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<br>emerging markets            | 12,578,502           | 12,578,502  | -  | -   |
| Fixed income - corporate and<br>governmental            | 890,061              | -   | 890,061  | -   |
| Private placement                                       | 30,254               | -   | -  | 30,254  |
| Total assets within the fair<br>value hierarchy         | 45,628,536           | 44,708,221  | 890,061  | 30,254  |
| Investments valued at net<br>asset value <sup>(a)</sup> | 20,353,675           |   |  |   |
| <b>Total investment portfolio</b>                       | <b>65,982,211</b>    |   |  |   |
| <b>Assets held under trust:</b>                         |                      |   |  |   |
| 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)                                       |
| <b>Total fair value</b>                                 | <b>\$ 66,171,035</b> | <b>\$ 45,120,372</b>  | <b>\$ 890,061</b>                                      | <b>\$ (193,073)</b>                             |

- (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, 2022 and 2021 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.

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

The value for the interest rate swap agreement is estimated based on inputs including current interest rates and LIBOR forward rates and is included as Level 2.

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, 2022 and 2021:

|                              | Fair Value at<br>9/30/2022 | Fair Value at<br>9/30/2021 | Valuation<br>Techniques   | Unobservable<br>Inputs  | Range of<br>Significant<br>Input Values                                      |
|------------------------------|----------------------------|----------------------------|---|---|--|
| Split interest<br>obligation | \$ (232,843)               | \$ (223,327)               | Income<br>approach /<br>present<br>value of<br>future cash<br>flows | Fair value of<br>future annuity<br>payments /<br>remaining life<br>of beneficiaries | Discount<br>rate – 5.4% -<br>6.5%<br><br>Remaining<br>life – 1 – 16<br>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, 2022 and 2021. RFF has no plans to sell the investments for a value other than the NAV as of September 30, 2022.

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

Investments measured at net asset value as of September 30, 2022 and 2021 are as follows:

| <b>September 30, 2022</b> | <b>Fair Value</b>    | <b>Unfunded Commitments</b> | <b>Redemption Frequency (If Currently Eligible)</b> | <b>Redemption Notice Period</b> |
|---------------------------|----------------------|-----------------------------|---|---------------------------------|
| Master/feeder fund B      | \$ 372,039           | \$ 210,000                  | Must be negotiated                                  | Must be negotiated              |
| Equity hedge fund C       | 1,791,788            | -                           | Must be negotiated                                  | Must be negotiated              |
| Master/feeder fund E      | 2,735,796            | -                           | Quarterly   | 65 days                         |
| Master/feeder fund F      | 4,498,876            | -                           | Quarterly   | 30 days                         |
| Master/feeder fund G      | 3,176,591            | -                           | Quarterly   | 60 days                         |
| Master/feeder fund H      | 1,675,244            | 700,000                     | Must be negotiated                                  | Must be negotiated              |
| Fund of funds C           | 3,653,220            | -                           | Must be negotiated                                  | Must be negotiated              |
| Fund of funds D           | 2,150,747            | -                           | Must be negotiated                                  | Must be negotiated              |
| Fund of funds E           | 1,819,691            | -                           | Must be negotiated                                  | Must be negotiated              |
| <b>Total</b>              | <b>\$ 21,873,992</b> | <b>\$ 910,000</b>           |   |                                 |

| <b>September 30, 2021</b> | <b>Fair Value</b>    | <b>Unfunded Commitments</b> | <b>Redemption Frequency (If Currently Eligible)</b> | <b>Redemption Notice Period</b> |
|---------------------------|----------------------|-----------------------------|---|---------------------------------|
| 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              |
| <b>Total</b>              | <b>\$ 20,353,675</b> | <b>\$ 910,000</b>           |   |                                 |

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.



## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

- 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.

- 7. Contributions receivable** At September 30, 2022 and 2021, RFF had unconditional contributions receivable that included amounts due in:

|                                 | <b>2022</b>       | 2021              |
|---------------------------------|-------------------|-------------------|
| Less than one year              | \$ 91,100         | \$ 410,100        |
| One to five years               | 55,500            | 55,500            |
| Beyond five years               | 11,100            | 22,200            |
| <b>Contributions receivable</b> | <b>\$ 157,700</b> | <b>\$ 487,800</b> |

Management has determined recording a discount on contributions receivable due more than one year from year end as of September 30, 2022 and 2021 to be immaterial to the financial statements.

- 8. Fixed assets** Fixed assets consisted of the following as of September 30:

|                          | <b>2022</b>          | 2021                 |
|--------------------------|----------------------|----------------------|
| Building - 1616 P Street | \$ 12,741,532        | \$ 12,514,400        |
| Land - 1616 P Street     | 12,981,367           | 12,981,367           |
| Building improvements    | 1,502,198            | 1,502,198            |
| Furniture and equipment  | 1,828,776            | 1,679,176            |
| Fixed assets             | 29,053,873           | 28,677,141           |
| Accumulated depreciation | (8,776,901)          | (8,144,886)          |
| <b>Fixed assets, net</b> | <b>\$ 20,276,972</b> | <b>\$ 20,532,255</b> |

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

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

|   | <b>2022</b>       | 2021       |
|---|-------------------|------------|
| Building and related improvement depreciation included in occupancy expense | <b>\$ 325,320</b> | \$ 291,395 |
| Computer and telephone system depreciation included in research expense     | <b>190,344</b>    | 201,882    |
| Furniture and equipment depreciation  | <b>144,477</b>    | 148,805    |
| <b>Total depreciation expense</b>   | <b>\$ 660,141</b> | \$ 642,082 |

#### 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 \$1,000,018 and \$851,500 for the years ended September 30, 2022 and 2021, 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, 2022 and 2021 were estimated to be \$778,624 and \$785,607, respectively, and these amounts are included in the accompanying Consolidated Statements of Financial Position. The obligation was determined utilizing assumptions of a 3.17% and 0.44% medical inflation factor for the years ended September 30, 2022 and 2021, respectively, and a discount rate of 4.08% and 2.02% for the years ended September 30, 2022 and 2021, respectively. There are no separate plan assets associated with these liabilities. The plan (benefit) expense for the years ended September 30, 2022 and 2021 was as follows:

|                                    |                   |              |
|------------------------------------|-------------------|--------------|
| Service costs                      | <b>\$ 17,332</b>  | \$ 14,171    |
| Other gain <sup>A</sup>            | -                 | (344,166)    |
| Projected interest cost            | <b>85,972</b>     | 27,317       |
| <b>Net periodic cost (benefit)</b> | <b>\$ 103,304</b> | \$ (302,678) |

<sup>A</sup> 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.

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

Actual payments made under the plan were \$24,315 and \$22,161 for the years ended September 30, 2022 and 2021, respectively.

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

| Year Ending<br>September 30: | Amount    |
|------------------------------|-----------|
| 2023                         | \$ 63,859 |
| 2024                         | 58,195    |
| 2025                         | 57,772    |
| 2026                         | 59,601    |
| 2027                         | 62,694    |

#### 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, 2022 and 2021 are as follows:

|   | 2022       | 2021       |
|---|------------|------------|
| Money market accounts                         | \$ 4,305   | \$ 7,196   |
| Mutual fund - domestic                        | 136,745    | 265,328    |
| Mutual fund - international                   | 17,582     | 22,649     |
| Mutual fund - fixed income                    | 63,288     | 116,978    |
| Assets held under charitable trust agreements | \$ 221,920 | \$ 412,151 |

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, 2022 and 2021:

|   | 2022   |   |  |                |           | Net assets with restrictions, other than endowments as of September 30, 2022 |
|---|--|---|--|----------------|-----------|--|
|   | Net assets with restrictions other than endowments, as of September 30, 2021 | Contributions, Grants and Loss on Investments | Satisfaction of Temporary Restrictions | Transfers      |           |  |
| Designing Smart Emissions Reduction       | \$ 4,630,227   | \$ 1,297,540                                  | \$ (1,244,728)                         | \$ (2,932,283) | \$        | 1,750,756  |
| Confronting Risks and Building Resilience | 725,200  | 1,973,717                                     | (2,258,315)                            | 1,394,506      |           | 1,835,108  |
| Other Research Programs                   | 391,637  | (7,486)                                       | (433,795)                              | 1,537,777      |           | 1,488,133  |
| <b>Total</b>                              | <b>\$ 5,747,064</b>  | <b>\$ 3,263,771</b>                           | <b>\$ (3,936,838)</b>                  | <b>\$ -</b>    | <b>\$</b> | <b>5,073,997</b>   |

|   | 2021   |   |  |           | Net assets with restrictions, other than endowments as of September 30, 2021 |
|---|--|---|--|-----------|--|
|   | Net assets with restrictions other than endowments, as of September 30, 2020 | Contributions, Grants and Gain on Investments | Satisfaction of Temporary Restrictions |           |  |
| 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   |  |
| <b>Total</b>                              | <b>\$ 5,789,814</b>  | <b>\$ 3,996,217</b>                           | <b>\$ (4,038,967)</b>                  | <b>\$</b> | <b>5,747,064</b>   |

- 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.

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

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, 2022 and 2021 are as follows:

|                 | 2022                | 2021                |
|-----------------|---------------------|---------------------|
| Gaskins chair   | \$ 2,000,000        | \$ 2,000,000        |
| Sarr 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             |
| <b>Total</b>    | <b>\$ 6,500,197</b> | <b>\$ 6,500,197</b> |

*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.

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

*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, 2022 is as follows:

|   | Without<br>Donor<br>Restriction | With Donor<br>Restrictions | Total               |
|---|---------------------------------|----------------------------|---------------------|
| Endowment net assets at<br>September 30, 2021         | \$ -                            | \$ 8,224,796               | \$ 8,224,796        |
| Contributions   | -                               | -                          | -                   |
| Expenditures  | -                               | (325,010)                  | (325,010)           |
| Investment loss                                       | -                               | (757,027)                  | (757,027)           |
| Transfers   | -                               | -                          | -                   |
| <b>Endowment net assets at<br/>September 30, 2022</b> | <b>\$ -</b>                     | <b>\$ 7,142,759</b>        | <b>\$ 7,142,759</b> |

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

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

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

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, 2022 and 2021 is \$6,500,197. The endowment net asset composition by type of fund was as follows:

| <b>September 30, 2022</b>  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>        |
|--|---|------------------------------------|---------------------|
| Donor-restricted endowment funds:  |   |                                    |                     |
| Original donor-restricted gift amount<br>and amounts required to be maintained<br>in perpetuity by donor | \$ -                                      | \$ 6,500,197                       | \$ 6,500,197        |
| Accumulated investment gains   | -   | 642,562                            | 642,562             |
| <b>Total endowment funds</b>   | <b>\$ -</b>                               | <b>\$ 7,142,759</b>                | <b>\$ 7,142,759</b> |

| <b>September 30, 2021</b>  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>        |
|--|---------------------------------------|------------------------------------|---------------------|
| Donor-restricted endowment funds:  |                                       |                                    |                     |
| Original donor-restricted gift amount<br>and amounts required to be maintained<br>in perpetuity by donor | \$ -                                  | \$ 6,500,197                       | \$ 6,500,197        |
| Accumulated investment gains   | -                                     | 1,724,599                          | 1,724,599           |
| <b>Total endowment funds</b>   | <b>\$ -</b>                           | <b>\$ 8,224,796</b>                | <b>\$ 8,224,796</b> |

#### 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, 2022 are listed below:

| <b>Year ending September 30:</b> | <b>Amount</b>       |
|----------------------------------|---------------------|
| 2023                             | \$ 1,382,342        |
| 2024                             | 1,293,846           |
| 2025                             | 1,326,192           |
| 2026                             | 1,197,524           |
| 2027                             | 1,066,954           |
| Thereafter                       | 2,080,723           |
| <b>Total</b>                     | <b>\$ 8,347,581</b> |

## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

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Total lease revenue for the 1616 P Street office building was \$1,202,176 and \$1,335,179 for the years ended September 30, 2022 and 2021, 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. Bond financing**

On December 28, 2017 RFF obtained bank-qualified 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 3.81% as of September 30, 2022 and 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.

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.



## Resources for the Future, Inc.

### Notes to Consolidated Financial Statements

Future principal payments on the term loans are as follows:

| Year ending September 30: | Term Loan<br>(original) | Refinanced<br>Term Loan |
|---------------------------|-------------------------|-------------------------|
| 2023                      | \$ 304,000              | \$ 258,000              |
| 2024                      | 311,000                 | 265,000                 |
| 2025                      | 322,000                 | 268,000                 |
| 2026                      | 330,000                 | 275,000                 |
| 2027                      | 341,000                 | 284,000                 |
| Thereafter                | 10,323,125              | 8,755,000               |
| <b>Total</b>              | <b>\$ 11,931,125</b>    | <b>\$ 10,105,000</b>    |

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 \$476,303 and \$504,434 as of September 30, 2022 and 2021, 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, 2022, three donors comprised of 18% 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, 2021, the contribution associated with forgiveness of the Paycheck Protection Program loan comprised 23% of total general support and contributions revenue in the accompanying Consolidated Statement of Activities and Changes in Net Assets.

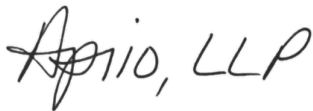
**17. Paycheck Protection Program loan** In April 2020, RFF received a loan in the amount of \$1,448,900, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The CARES Act provides that the PPP loan may be partially or wholly 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.

RFF elected ASC 470 – *Debt* to account for the initial proceeds of the PPP loan. Accordingly, the PPP loan was initially recorded as a liability. Upon notification of full loan forgiveness of the PPP loan, RFF recorded the forgiveness as income during 2021 to reflect the nonreciprocal legal release of the obligation as required by ASC 958 – *Not-for-profit Entities*.

## 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 year ended September 30, 2022, and our report thereon dated March 3, 2023, which expressed an unmodified opinion on the 2022 consolidated financial statements appears on pages 1 - 3. 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 2022 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Rockville, Maryland  
March 3, 2023

## Resources for the Future, Inc.

### Schedule of Determination of Cost Recovery Rates

*Year Ended September 30, 2022*

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#### **Management and administration rate**

|                                     |              |
|-------------------------------------|--------------|
| Management and administration costs | \$ 3,891,004 |
|-------------------------------------|--------------|

Determination of direct cost base

|  |           |
|--|-----------|
| Total program costs before allocation of occupancy | 9,936,692 |
|--|-----------|

|  |           |
|--|-----------|
| Plus: fundraising costs before allocation of occupancy | 1,180,744 |
|--|-----------|

---

|                               |                      |
|-------------------------------|----------------------|
| <b>Total direct cost base</b> | <b>\$ 11,117,436</b> |
|-------------------------------|----------------------|

|                                    |               |
|------------------------------------|---------------|
| Management and administration rate | <b>35.00%</b> |
|------------------------------------|---------------|

---

#### **Regular fringe benefits rate**

|                  |              |
|------------------|--------------|
| Regular benefits | \$ 2,014,910 |
|------------------|--------------|

|                  |              |
|------------------|--------------|
| Regular salaries | \$ 7,483,697 |
|------------------|--------------|

|                              |               |
|------------------------------|---------------|
| Regular fringe benefits rate | <b>26.92%</b> |
|------------------------------|---------------|

---

#### **Research assistant fringe benefits rate**

|                             |            |
|-----------------------------|------------|
| Research assistant benefits | \$ 245,473 |
|-----------------------------|------------|

|                             |            |
|-----------------------------|------------|
| Research assistant salaries | \$ 934,029 |
|-----------------------------|------------|

|   |               |
|---|---------------|
| Research assistant fringe benefits rate | <b>26.28%</b> |
|---|---------------|

---

#### **Occupancy rate**

|                   |            |
|-------------------|------------|
| Occupancy expense | \$ 775,000 |
|-------------------|------------|

Determination of occupancy base

|                     |           |
|---------------------|-----------|
| Total program costs | 9,936,692 |
|---------------------|-----------|

|                         |           |
|-------------------------|-----------|
| Plus: fundraising costs | 1,180,744 |
|-------------------------|-----------|

---

|                             |                      |
|-----------------------------|----------------------|
| <b>Total occupancy base</b> | <b>\$ 11,117,436</b> |
|-----------------------------|----------------------|

|                |              |
|----------------|--------------|
| Occupancy rate | <b>6.97%</b> |
|----------------|--------------|

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

**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.** (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of September 30, 2022, 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 3, 2023.

***Report on 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 the **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 consolidated 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 or significant deficiencies may exist that were not identified.

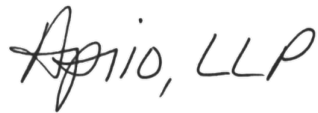
**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Continued)**

***Report on 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.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is stylized, with the "A" being particularly large and the "P" having a long, sweeping tail.

Rockville, Maryland  
March 3, 2023

## **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**

#### ***Opinion on the Major Program***

We have audited **Resources for the Future, Inc.'s** compliance with the types of compliance requirements identified as subject to audit 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, 2022. **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.

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, 2022.

#### ***Basis for Opinion on the Major Federal Program***

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 other 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **Resources for the Future, Inc.** and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of **Resources for the Future, Inc.'s** compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **Resources for the Future, Inc.'s** federal programs.

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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **Resources for the Future, Inc.'s** compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **Resources for the Future, Inc.'s** compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **Resources for the Future, Inc.'s** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **Resources for the Future, Inc.'s** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 **Resources for the Future, Inc.'s** internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on 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

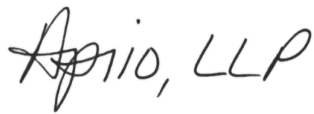
**Independent Auditor's Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance (Continued)**

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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is stylized, with the first letter of "Aprio" being a large, looped capital "A".

Rockville, Maryland  
March 3, 2023



Resources for the Future, Inc.

Schedule of Expenditures of Federal Awards

| Year Ended September 30, 2022   |                 | Project Name  | Federal Assistance Listing Number | Grant or Contract ID Number | Subaward ID Number | Passed Through to Subrecipients | Total 2022 Federal Expenditures |
|---|-----------------|---|-----------------------------------|-----------------------------|--------------------|---------------------------------|---------------------------------|
| <b>Federal Grantor/Pass-Through Grantor/Federal Program Title</b>   |                 |   |                                   |                             |                    |                                 |                                 |
| <b>Research and Development Cluster</b>   |                 |   |                                   |                             |                    |                                 |                                 |
| <b>National Science Foundation</b>  |                 |   |                                   |                             |                    |                                 |                                 |
| <b>University of Maryland-College Park (NSF)</b>  |                 |   |                                   |                             |                    |                                 |                                 |
| Biological Sciences   |                 | Environmental Synthesis Center (SESYNC) 2017                  | 47.074                            | DBI-1052875                 | 49446-Z4808001     | \$ -                            | \$ 17,569                       |
| <b>Northern Arizona University (NSF)</b>  |                 |   |                                   |                             |                    |                                 |                                 |
| Biological Sciences   |                 | CNH-L Scale-Dependent Feedbacks Among Protected Areas         | 47.074                            | 1617309                     | 1003088-04         | -                               | 17,631                          |
| <b>Total Indirect National Science Foundation</b>   |                 |   |                                   |                             |                    | -                               | 35,200                          |
| <b>National Aeronautics Space Agency</b>  |                 |   |                                   |                             |                    |                                 |                                 |
| Science   |                 | VALUABLES   | 43.001                            | NNX17AD26A                  | N/A                | 67,011                          | 511,806                         |
| <b>Total Direct National Aeronautics Space Agency</b>   |                 |   |                                   |                             |                    | 67,011                          | 511,806                         |
| <b>U.S.D.A./Forest Service/N.I.F.A./R.E.E.</b>  |                 |   |                                   |                             |                    |                                 |                                 |
| Reducing Pest & Pathogen Invasion   |                 | Reducing Pest & Pathogen Invasion                             | 10.U01                            | 17-JV-11242303-071          | N/A                | -                               | 3,863                           |
| Wood Utilization Assistance   |                 | Importance of Forest Products Markets                         | 10.674                            | 20-DG-11094200-214          | N/A                | -                               | 13,442                          |
| Forest Service, Pacific Southwest Research Station  |                 | The Economics of Wildfire's Impacts on Water Quality          | 10.U02                            | 20-JV-11272131-052          | N/A                | -                               | 6,835                           |
| Forest Service, Washington Office Research and Development  |                 | Linking Policy Analysis to Natural Resource Assessment        | 10.U03                            | 20-JV-11132650-317          | N/A                | -                               | 3,885                           |
| Forest Service, Southern Research Station   |                 | Carbon Consequences of Alternative Harvest Practices          | 10.U04                            | 21-JV-11330180-084          | N/A                | -                               | 19,009                          |
| Agriculture and Food Research Initiative (AFRI)   |                 | Wildfire Risks in Rural Communities                           | 10.310                            | 2021-67023-34483            | N/A                | 12,349                          | 127,091                         |
| Agriculture and Food Research Initiative (AFRI)   |                 | Wildfire and Outdoor Communities in Western U.S.              | 10.310                            | 2020-67023-33258            | N/A                | -                               | 219,709                         |
| Consumer Data and Nutrition Research  |                 | Cost of Foodborne Illness Data                                | 10.253                            | 59-5000-0-0033              | N/A                | 10,475                          | 15,628                          |
| <b>Total Direct U.S.D.A./Forest Service/N.I.F.A./R.E.E.</b>   |                 |   |                                   |                             |                    | 22,824                          | 409,462                         |
| <b>University of Maryland (USDA)</b>  |                 |   |                                   |                             |                    |                                 |                                 |
| Agriculture and Food Research Initiative (AFRI)   |                 | Adapting Agroecosystems to Saltwater Intrusion                | 10.310                            | 2018-68002-27915            | 61394-Z5062202     | -                               | 56,144                          |
| <b>Total Direct &amp; Indirect U.S.D.A./Forest Service/N.I.F.A./R.E.E.</b>  |                 |   |                                   |                             |                    | 22,824                          | 465,606                         |
| <b>Department of Energy</b>   |                 |   |                                   |                             |                    |                                 |                                 |
| <b>Los Alamos National Laboratory (DOE)</b>   |                 |   |                                   |                             |                    |                                 |                                 |
| Los Alamos National Laboratory  |                 | Expanding the SimCCS Model to Consider Environment Trade-Offs | 81.U01                            | PR 714014/CF1020            | AD2900             | -                               | 137,368                         |
| Los Alamos National Laboratory  |                 | Decarbonizing the Intermountain West                          | 81.U02                            | 229799455                   | 7295               | -                               | 199,736                         |
| <b>Total Indirect Department of Energy</b>  |                 |   |                                   |                             |                    | -                               | 337,104                         |
| <b>Environmental Protection Agency</b>  |                 |   |                                   |                             |                    |                                 |                                 |
| <b>University of Maryland-College Park (EPA)</b>  |                 |   |                                   |                             |                    |                                 |                                 |
| Cumulative Health Impacts at the Intersection of Climate Change, Environmental Justice, and Vulnerable Populations/Lifestages | Septic to Sewer |   | 66.U01                            | 84047701                    | EPA-G2021-STAR-H1  | -                               | 1,372                           |
| <b>Total Indirect Environmental Protection Agency</b>   |                 |   |                                   |                             |                    | -                               | 1,372                           |
| <b>Total Research and Development Cluster Federal Expenditures</b>  |                 |   |                                   |                             |                    | \$ 89,835                       | \$ 1,351,088                    |

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

|  |   |                     |
|--|---|---------------------|
| <b>1. Basis of presentation</b>                      | 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, 2022. 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. |                     |
| <b>2. Summary of significant accounting policies</b> | 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.  |                     |
| <b>3. Indirect cost rate</b>                         | The Company has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.  |                     |
| <b>4. Reconciliation of revenue</b>                  | 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  | \$ 1,351,088        |
|  | Non-federal government awards   | 252,216             |
|  | Other foundation and corporate grants   | 4,298,612           |
|  | <b>Total program grants and contracts</b>   | <b>\$ 5,901,916</b> |

## Resources for the Future, Inc.

### Schedule of Findings and Questioned Costs

*For The Year Ended September 30, 2022*

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#### 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:

Assistance Listing Number  
Research and Development Cluster  
47.074, 43.001, 10.U01  
10.674, 10.U02, 10.I03  
10.U04, 10.U05, 10.U06  
10.253, 10.310, 81.U01  
81.U02, 66.U01

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

**Resources for the Future, Inc.**

**Schedule of Findings and Questioned Costs (Continued)**

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*For The Year Ended September 30, 2022*

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**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**