

RESOURCES FOR THE FUTURE, INC.

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS AND SUPPLEMENTARY
INFORMATION**

YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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 Statements of Financial Position as of September 30, 2023 and 2022, and the related Consolidated Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the 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, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Notes 3 and 4, the consolidated financial statements include investments valued at \$21,606,911 (37% of net assets) at September 30, 2023, and \$21,873,992 (39% of net assets) at September 30, 2022, 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)

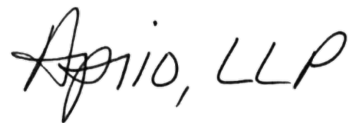
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 February 13, 2024, 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 "A" being particularly large and the "P" having a loop. The "LLP" is written in a simpler, more direct hand.

Rockville, Maryland
February 13, 2024

Resources for the Future, Inc.

Consolidated Statements of Financial Position

<i>September 30,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 1,071,388	\$ 607,164
Grants and contracts receivable	1,411,640	1,287,021
Contributions receivable	1,046,600	157,700
Other receivables	-	272,599
Investments	53,942,951	55,043,225
Fixed assets - net of accumulated depreciation	20,241,483	20,276,972
Assets held under charitable trust agreements	250,714	221,920
Interest rate swap	1,207,632	1,236,158
Other assets	2,688,943	2,777,380
Total assets	\$ 81,861,351	\$ 81,880,139
Liabilities and Net Assets		
Bond financing, net of financing costs of \$448,183 and \$476,303 respectively	\$ 21,052,294	\$ 21,559,822
Accounts payable and accrued liabilities	1,593,811	1,939,672
Refundable advances	414,227	1,144,683
Postretirement benefits	737,107	778,624
Liabilities under split-interest agreements	244,787	232,843
Funds held for others	88,142	90,376
Total liabilities	24,130,368	25,746,020
Net assets		
Net assets without donor restrictions	41,664,685	39,912,577
Net assets without donor restrictions - programmatic reserve	3,820,985	4,647,348
Total net assets without donor restrictions	45,485,670	44,559,925
Net assets with donor restrictions	12,245,313	11,574,194
Total net assets	57,730,983	56,134,119
Total liabilities and net assets	\$ 81,861,351	\$ 81,880,139

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, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets			
Revenue			
Program grants and contracts	\$ 4,392,921	\$ 4,430,282	\$ 8,823,203
General support and contributions	4,930,441	-	4,930,441
Rental income	1,293,663	-	1,293,663
Investment returns designated for operations	3,500,000	-	3,500,000
Net assets released from restrictions	4,447,922	(4,447,922)	-
Total operating revenue	18,564,947	(17,640)	18,547,307
Expenses			
Research programs			
Research	10,065,418	-	10,065,418
Communications	1,371,556	-	1,371,556
Total research program expenses	11,436,974	-	11,436,974
Research support	869,331	-	869,331
Fundraising	1,151,789	-	1,151,789
Management and administration	3,591,857	-	3,591,857
1616 P Street operations and maintenance	1,670,760	-	1,670,760
Total functional expenses	18,720,711	-	18,720,711
Change in net assets from operations	(155,764)	(17,640)	(173,404)
Non-operating change in net assets			
Investment income - net	520,365	77,756	598,121
Realized and unrealized gain on investments	4,089,670	611,003	4,700,673
Unrealized loss on interest rate swap	(28,526)	-	(28,526)
Investment income allocation to operating	(3,500,000)	-	(3,500,000)
Change in net assets	925,745	671,119	1,596,864
Net assets at beginning of year	44,559,925	11,574,194	56,134,119
Net assets at end of year	\$ 45,485,670	\$ 12,245,313	\$ 57,730,983

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 Donor Restrictions	With Donor Restrictions	Total
Changes in net assets			
Revenue			
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)	-
Total operating revenue	15,724,336	83,960	15,808,296
Expenses			
Research programs			
Research	8,757,509	-	8,757,509
Academic relations	35,241	-	35,241
Communications	1,258,344	-	1,258,344
Total research program expenses	10,051,094	-	10,051,094
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
Total functional expenses	16,805,127	-	16,805,127
Change in net assets from operations	(1,080,791)	83,960	(996,831)
Non-operating change in net assets			
Investment income - net	806,945	88,334	895,279
Realized and unrealized loss on investments	(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)
Change in net assets	(11,102,498)	(673,067)	(11,775,565)
Net assets at beginning of year	55,662,423	12,247,261	67,909,684
Net assets at end of year	\$ 44,559,925	\$ 11,574,194	\$ 56,134,119

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, 2023

	Program expenses							1616 P Street	
	Research	Communi- cations	Programs Total	Research Support	Fundraising	Management and Administration	Operations and Maintenance	Total	
RFF functional expenses									
Salaries	\$ 4,228,235	\$ 633,817	\$ 4,862,052	\$ 1,889,923	\$ 758,838	\$ 1,367,971	\$ -	\$ 8,878,784	
Benefits	1,129,332	157,818	1,287,150	383,188	227,442	706,286	-	2,604,066	
Intern salaries	-	23,045	23,045	52,420	14,815	-	-	90,280	
Total salaries and benefits	5,357,567	814,680	6,172,247	2,325,531	1,001,095	2,074,257	-	11,573,130	
Other costs									
Building operations	-	-	-	-	-	(70,252)	2,375,236	2,304,984	
Occupancy	602,777	82,178	684,955	21,358	68,693	-	(775,006)	-	
Research support	1,929,885	-	1,929,885	(1,929,885)	-	-	-	-	
Communications	62	1,265	1,327	-	1,082	29,663	-	32,072	
Computer services	4,356	9,998	14,354	22,984	8	346,922	-	384,268	
Outside consultants	713,713	67,529	781,242	31,704	9,167	90,972	-	913,085	
Conferences	335,927	273,514	609,441	3,048	20,119	133,114	-	765,722	
Travel	122,009	10,169	132,178	1,884	8,207	56,122	-	198,391	
Publication costs	63,207	48,534	111,741	22,208	2,263	19,396	-	155,608	
Office expenses	87,943	39,464	127,407	90,144	41,012	158,605	4,959	422,127	
Subawards	677,240	-	677,240	-	-	-	-	677,240	
Professional services	42,316	24,013	66,329	280,355	132	578,989	-	925,805	
Fellowship stipend	13,416	-	13,416	-	-	-	-	13,416	
Grants	115,000	-	115,000	-	-	-	-	115,000	
Depreciation	-	-	-	-	-	162,681	-	162,681	
Other	-	212	212	-	11	11,388	65,571	77,182	
Total other costs	4,707,851	556,876	5,264,727	(1,456,200)	150,694	1,517,600	1,670,760	7,147,581	
Total RFF functional expenses	10,065,418	1,371,556	11,436,974	869,331	1,151,789	3,591,857	1,670,760	18,720,711	
Total indirect costs	2,702,339	376,531	3,078,870	714,158	270,668	(4,063,696)	-	-	
Total on full absorption basis	\$ 12,767,757	\$ 1,748,087	\$ 14,515,844	\$ 1,583,489	\$ 1,422,457	\$ (471,839)	\$ 1,670,760	\$ 18,720,711	

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	
RFF functional expenses										
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	
Other costs										
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	
Total RFF functional expenses	8,757,509	35,241	1,258,344	10,051,094	578,288	1,263,054	3,891,004	1,021,687	16,805,127	
Total indirect costs	2,568,902	11,027	393,722	2,973,651	-	395,195	(3,891,004)	522,158	-	
Total on full absorption basis	\$ 11,326,411	\$ 46,268	\$ 1,652,066	\$ 13,024,745	\$ 578,288	\$ 1,658,249	\$ -	\$ 1,543,845	\$ 16,805,127	

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>	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 1,596,864	\$ (11,775,565)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	535,615	660,141
Amortization of bond financing costs	28,120	28,131
Net realized and unrealized (gains) loss on investments	(4,700,673)	8,660,171
Net realized and unrealized (gains) loss on assets held under charitable trust agreements	(21,234)	73,577
Realized (gain) loss from sale of gift funds	(9,350)	699
Donated stock	(488,030)	(1,077,299)
Change in interest rate swap	28,526	(1,236,158)
(Increase) decrease in		
Grants and cotracts receivable	(124,619)	797,725
Contributions receivable	(888,900)	330,100
Other receivables	272,599	-
Other assets	88,437	291,347
Increase (decrease) in		
Accounts payable and accrued liabilities	(345,861)	(142,711)
Postretirement benefits	(41,517)	(6,983)
Refundable advances	(730,456)	821,606
Liabilities under split-interest agreements	(4,913)	(15,934)
Funds held for others	(2,234)	(25,959)
Net cash used by operating activities	(4,807,626)	(2,617,112)
Cash flows from investing activities		
Purchases of investments	(769,186)	(1,043,058)
Proceeds from sales of investments	7,059,953	4,515,127
Disbursements from charitable trust agreements	16,857	25,450
Purchases of fixed assets	(500,126)	(404,858)
Net cash provided by investing activities	5,807,498	3,092,661

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>	2023	2022
Cash flows from financing activities		
Principal payments on bond financing	(535,648)	(520,054)
Net cash used by financing activities	(535,648)	(520,054)
Change in cash and cash equivalents	464,224	(44,505)
Cash and cash equivalents at beginning of year	607,164	651,669
Cash and cash equivalents at end of year	\$ 1,071,388	\$ 607,164
Supplemental information		
Cash paid for interest	\$ 479,374	\$ 493,696

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 the federally insured deposit limit of \$250,000 per financial institution. On September 30, 2023 and 2022, RFF's cash balances held at the commercial bank exceeded the FDIC limit by approximately \$1,203,000 and \$585,000, respectively. RFF has not experienced any losses through the date when the financial statements were available to be issued.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

Grants and contracts receivable: Grants or contracts receivable are recorded when grant funding is unconditionally promised or contract revenue is earned but not yet received. 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, 2023 and 2022. All balances are expected to be received within one year.

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. Conditional pledges are recognized when earned and are included in contributions receivable. 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, 2023 and 2022.

Investments: Investments in marketable securities are presented at fair value. 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;

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

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

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 SOFR 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 \$414,227 and \$1,144,683 as of September 30, 2023 and 2022, respectively.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

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, 2023, RFF has Firm-Fixed-Price (FFP) contracts for customized consulting. Revenue for these contracts is recognized over time. Total revenue recognized over time under ASC 606 was \$207,561 and \$0 for the years ended September 30, 2023 and 2022. For the year ended September 30, 2022, RFF had 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 time was \$0 and \$7,672 as of September 30, 2023 and 2022, respectively.

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 balances: Accounts receivable consist of accrued contracts paid in subsequent fiscal years. The balance of accounts receivable related to contract revenue within the scope of ASC 606, totaled \$7,561, \$5,999, and \$0 as of September 30, 2023, September 30, 2022, and October 1, 2021 and is included in grants and contracts receivable on the Statements of Financial Position. Contract liabilities include amounts paid by customers for which services have not yet been provided and are included in deferred revenue. There were no contract liabilities as of September 30, 2023 and 2022 and October 1, 2021.

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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 a refundable advance. 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 \$2,456,158 and \$2,143,950 as of September 30, 2023 and 2022, respectively. Other conditional contributions not yet recognized totaled \$2,095,584 and \$1,387,128 as of September 30, 2023 and 2022, 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: For operating leases where RFF is the lessor, rental income is recognized on a straight-line basis over the term of the tenant lease. Deferred rent receivable represents the difference between the straight-line rent recognized and the rental payments due in accordance with the lease terms and is included with other assets on the Statements of Financial Position.

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

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

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

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

Uncertainties in income taxes: RFF evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of September 30, 2023 and 2022, 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 2020 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.

Recent accounting pronouncements adopted: RFF adopted Accounting Standards Codification 842, *Leases*, (ASC 842) effective October 1, 2022. This standard requires lessees to recognize leases on the Consolidated Statement of Financial Position as Right-of-Use (ROU) assets and lease liabilities based on the value of the discounted future lease payments. RFF has elected to apply the modified retrospective adoption method whereby the guidance was applied to leases in place as of the adoption date (“effective date” method). In adopting ASC 842, RFF used the practical expedient package, which includes not reevaluating if a contract is or contains a lease, not reevaluating the classification of a lease, and not reevaluating initial direct costs. No cumulative-effect adjustments were required. RFF had no contracts as lessee classified as operating leases and all lessor contracts were classified as operating leases, therefore the adoption of ASC 842 did not have a material impact on the consolidated financial statements.

Subsequent events: Management has evaluated subsequent events for disclosure in the consolidated financial statements through February 13, 2024, 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:

Financial assets at year-end:	2023	2022
Cash and cash equivalents	\$ 1,071,388	\$ 607,164
Grants receivable	1,411,640	1,287,021
Contributions receivable	1,046,600	157,700
Other receivables	-	272,599
Investments	53,942,951	55,043,225
Assets held under charitable trust agreements	250,714	221,920
Total financial assets at year-end	57,723,293	57,589,629
Less financial assets restricted for use/not available over the next 12 months:		
Pledges due beyond one year	(455,600)	(66,600)
Investments held in Reserve Fund	(52,333,773)	(54,190,979)
Investments held in Gift Fund	(88,142)	(90,376)
Investments held for others in a split interest agreement	(250,714)	(221,920)
Financial assets available to meet general expenditures over the next 12 months	\$ 4,595,064	\$ 3,019,753

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 Investments consist of the following as of September 30:

	2023	2022
Operating fund		
Money market accounts	\$ 1,521,036	\$ 761,870
Reserve fund		
Money market accounts	-	1,675,677
Domestic equity	16,870,163	15,256,215
International equity and emerging markets	9,544,318	8,796,110
Mutual funds – fixed income	3,521,100	5,668,670
Fixed income – corporate and governmental	741,654	890,061
Alternative funds	21,606,911	21,873,992
Private placement	49,627	30,254
Total reserve fund	52,333,773	54,190,979
Gift fund		
Money market accounts	4,024	3,211
Mutual fund – domestic	77,795	66,927
Mutual fund – fixed income	6,323	20,238
Total gift fund	88,142	90,376
Total investment	\$ 53,942,951	\$ 55,043,225

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, 2023 and 2022.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

4. Fair value

The fair value of assets and liabilities as of September 30, 2023 is as follows:

September 30, 2023	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investment Portfolio:				
Money market accounts	\$ 1,525,060	\$ 1,525,060	\$ -	\$ -
Mutual funds - fixed income	3,527,423	3,527,423		
Domestic equity	16,947,958	16,947,958		
International equity and emerging markets	9,544,318	9,544,318		
Fixed income - corporate and governmental	741,654	-	741,654	-
Private placement	49,627	-	-	49,627
Total assets within the fair value hierarchy	32,336,040	31,544,759	741,654	49,627
Investment valued at net asset value (a)	21,606,911			
Total investment portfolio:	53,942,951			
Assets held under trust:				
Money market accounts	6,267	6,267	-	-
Mutual funds - domestic	115,078	115,078	-	-
Mutual funds - international	50,895	50,895	-	-
Mutual funds - emerging markets	13,539	13,539	-	-
Mutual funds - fixed income	64,935	64,935	-	-
Total assets held under trust	250,714	250,714	-	-
Interest rate swap asset	1,207,632	-	1,207,632	-
Split interest obligation	(244,787)	-	-	(244,787)
Total fair value	\$ 55,156,510	\$ 31,795,473	\$ 1,949,286	\$ (195,160)

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

The fair value of assets and liabilities as of September 30, 2022 is as follows:

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

- (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, 2023 and 2022 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 SOFR 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, 2023 and 2022:

	Fair Value at 9/30/2023	Fair Value at 9/30/2022	Valuation Techniques	Unobservable Inputs	Range of Significant Input Values
Split interest obligation	\$ (244,787)	\$ (232,843)	Income approach / present value of future cash flows	Fair value of future annuity payments / remaining life of beneficiaries	Discount rate – 5.4% - 6.5% Remaining life – 1 – 14 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, 2023 and 2022. RFF has no plans to sell the investments for a value other than the NAV as of September 30, 2023.

Investments measured at net asset value as of September 30, 2023 and 2022 are as follows:

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

September 30, 2023	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Master/feeder fund B	\$ 266,571	\$ 210,000	Must be negotiated	Must be negotiated
Equity hedge fund C	1,900,717	-	Must be negotiated	Must be negotiated
Master/feeder fund E	2,907,965	-	Quarterly	65 days
Master/feeder fund F	4,660,937	-	Quarterly	30 days
Master/feeder fund G	3,093,593	-	Quarterly	60 days
Master/feeder fund H	2,130,082	-	Must be negotiated	Must be negotiated
Fund of funds C	3,942,053	-	Must be negotiated	Must be negotiated
Fund of funds D	1,330,209	-	Must be negotiated	Must be negotiated
Fund of funds E	1,374,784	-	Must be negotiated	Must be negotiated
Total	\$ 21,606,911	\$ 210,000		

September 30, 2022	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
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
Total	\$ 21,873,992	\$ 910,000		

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

6. Risks and uncertainties

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

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

- 7. Contributions receivable** At September 30, 2023 and 2022, RFF had unconditional contributions receivable that included amounts due in:

	2023	2022
Less than one year	\$ 591,000	\$ 91,100
One to five years	455,600	55,500
Beyond five years	-	11,100
Contributions receivable	\$ 1,046,600	\$ 157,700

Management has determined recording a discount on contributions receivable due more than one year from year end to be immaterial to the financial statements.

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

	2023	2022
Building - 1616 P Street	\$ 13,086,962	\$ 12,741,532
Land - 1616 P Street	12,981,367	12,981,367
Building improvements	1,517,739	1,502,198
Furniture and equipment	1,943,118	1,828,776
Fixed assets	29,529,186	29,053,873
Accumulated depreciation	(9,287,703)	(8,776,901)
Fixed assets, net	\$ 20,241,483	\$ 20,276,972

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

	2023	2022
Building and related improvement depreciation included in occupancy expense	\$ 372,934	\$ 325,320
Furniture, equipment, and software depreciation	162,681	334,821
Total depreciation expense	\$ 535,615	\$ 660,141

- 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 \$1,079,114 and \$1,000,018 for the years ended September 30, 2023 and 2022, respectively.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

10. Postretirement benefits other than pensions

Employees who retire under RFF's retirement plan with a minimum of five years of service are covered by RFF's medical plan at one year for every two completed years of service. Benefits are provided to eligible retirees after age 63 and to their dependents. RFF accrues the expected costs of such benefits during a portion of the employees' years of service. RFF's postretirement benefit obligations under this plan as of September 30, 2023 and 2022 were estimated to be \$737,107 and \$778,624, respectively, and these amounts are included in the accompanying Consolidated Statements of Financial Position. The obligation was determined utilizing assumptions of a 2.54% and 3.17% medical inflation factor for the years ended September 30, 2023 and 2022, respectively, and a discount rate of 4.08% for both years ended September 30, 2023 and 2022. There are no separate plan assets associated with these liabilities. The plan expense for the years ended September 30, 2023 and 2022 was as follows:

	2023	2022
Service costs	\$ 21,426	\$ 17,332
Projected interest cost	80,025	85,972
Net periodic cost	\$ 101,451	\$ 103,304

Actual payments made under the plan were \$20,091 and \$24,315 for the years ended September 30, 2023 and 2022, respectively.

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

Year Ending September 30:	Amount
2024	\$ 55,722
2025	54,979
2026	56,374
2027	58,937
2028	63,918

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

11. Split interest agreements

RFF entered 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, 2023 and 2022 are as follows:

	2023	2022
Money market accounts	\$ 6,267	\$ 4,305
Mutual fund - domestic	115,078	136,745
Mutual fund - emerging markets	13,539	-
Mutual fund - international	50,895	17,582
Mutual fund - fixed income	64,935	63,288
Assets held under charitable trust agreements	\$ 250,714	\$ 221,920

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

12. Net assets with restrictions

Net assets with restrictions, other than endowments, are restricted for the following program areas as of September 30, 2023 and 2022:

	2023				
	Net assets with restrictions other than endowments, as of September 30, 2022	Contributions, Grants and Gains on Investments	Satisfaction of Temporary Restrictions	Transfers	Net assets with restrictions other than endowments, as of September 30, 2023
Designing Smart Emissions Reduction	\$ 1,750,756	\$ 1,885,762	\$ (2,149,602)	\$ (79,898)	1,407,018
Confronting Risks and Building Resilience	1,835,108	3,228,279	(2,282,220)	84,797	2,865,964
Other Research Programs	1,488,133	5,000	(16,100)	(4,899)	1,472,134
Total	\$ 5,073,997	\$ 5,119,041	\$ (4,447,922)	\$ -	\$ 5,745,116

	2022				
	Net assets with restrictions other than endowments, as of September 30, 2022	Contributions, Grants and Loss on Investments	Satisfaction of Temporary Restrictions	Transfers	Net assets with restrictions other than endowments, as of September 30, 2023
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
Total	\$ 5,747,064	\$ 3,263,771	\$ (3,936,838)	\$ -	\$ 5,073,997

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

13. Endowments

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

Interpretation of the Relevant Law

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

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

1. The duration and preservation of the fund
2. The purposes of the organization and donor-restricted endowment fund
3. General economic conditions
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, 2023 and 2022 are as follows:

	2023	2022
Gaskins chair	\$ 2,000,000	\$ 2,000,000
Starr chair	2,004,047	2,004,047
Klutznick chair	2,000,000	2,000,000
Krutilla fund	139,650	139,650
Landsberg fund	31,135	31,135
Kneese fund	325,365	325,365
Total	\$ 6,500,197	\$ 6,500,197

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

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

Investment and Spending Policies

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

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

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

The change in endowment net assets for the year ended September 30, 2023 is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment net assets at September 30, 2022	\$ -	\$ 7,142,759	\$ 7,142,759
Contributions	-	-	-
Expenditures	-	(325,010)	(325,010)
Investment income	-	688,759	688,759
Transfers	-	-	-
Endowment net assets at September 30, 2023	\$ -	\$ 7,506,508	\$ 7,506,508

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

The change in endowment net assets for the year ended September 30, 2022 is as follows:

	Without Donor Retriction	With Donor Retriction	Total
Endowment net assets at September 30, 2021	\$ -	\$ 8,224,796	\$ 8,224,796
Contributions	-	-	-
Expenditures	-	(325,010)	(325,010)
Investment loss	-	(757,027)	(757,027)
Transfers	-	-	-
Endowment net assets at September 30, 2022	\$ -	\$ 7,142,759	\$ 7,142,759

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, 2023 and 2022 is \$6,500,197. The endowment net asset composition by type of fund was as follows:

September 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 6,500,197	\$ 6,500,197
Accumulated investment gains	-	1,006,311	1,006,311
Total endowment funds	\$ -	\$ 7,506,508	\$ 7,506,508

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

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

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 2031.

Future minimum payments receivable as of September 30, 2023 are listed below:

Year ending September 30:	Amount
2024	\$ 1,600,476
2025	1,696,793
2026	1,578,844
2027	1,402,840
2028	1,343,773
Thereafter	1,281,928
Total	\$ 8,904,654

Total lease revenue for the 1616 P Street office building was \$1,293,663 and \$1,202,176 for the years ended September 30, 2023 and 2022, 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 January 1, 2050.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

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 5.42% as of September 30, 2023 and 3.81% as of September 30, 2022. 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 January 1, 2050.

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

Future principal payments on the term loans are as follows:

Year ending September 30:	Term Loan (Original)	Refinanced Term Loan
2024	\$ 311,000	\$ 265,000
2025	322,000	268,000
2026	330,000	275,000
2027	341,000	284,000
2028	316,000	292,000
Thereafter	10,033,477	8,463,000
Total	\$ 11,653,477	\$ 9,847,000

RFF had debt issuance costs of \$620,809 related to the Series 2017 Bonds which is amortized over the term of the loan. Net financing costs recorded against the bond liability was \$448,183 and \$476,303 as of September 30, 2023 and 2022, respectively. Management has determined costs associated with issuance of the refinanced term to be immaterial to the consolidated financial statements.

Resources for the Future, Inc.

Notes to Consolidated Financial Statements

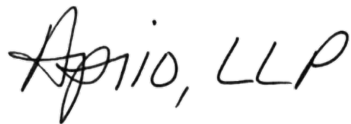
16. Concentrations On September 30, 2023, three donors comprised 91% of total contributions receivable in the accompanying Consolidated Statement of Financial Position. On September 30, 2022, four donors comprised 100% of total contributions receivable in the accompanying Consolidated Statement of Financial Position.

For the years ended September 30, 2023 and 2022, three donors comprised 45% and 18%, respectively, of total general support and contributions revenue in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

Independent Auditor's Report on Supplementary Information

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

We have audited the consolidated financial statements of **Resources for the Future, Inc.** as of and for the years ended September 30, 2023 and 2022, and our report thereon dated February 13, 2024, which expressed an unmodified opinion on those 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Rockville, Maryland
February 13, 2024

Resources for the Future, Inc.

Schedule of Determination of Cost Recovery Rates

Year Ended September 30, 2023

Management and administration rate

Management and administration costs	\$ 3,591,857
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Determination of direct cost base

Total program costs before allocation of occupancy	11,599,992
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Plus: fundraising costs before allocation of occupancy	1,083,096
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Total direct cost base	\$ 12,683,088
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Management and administration rate	28.32%
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Regular fringe benefits rate

Regular benefits	\$ 2,431,811
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Regular salaries	\$ 8,286,975
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Regular fringe benefits rate	29.34%
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Research assistant fringe benefits rate

Research assistant benefits	\$ 172,255
-----------------------------	------------

Research assistant salaries	\$ 591,809
-----------------------------	------------

Research assistant fringe benefits rate	29.11%
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Occupancy rate

Occupancy expense	\$ 775,006
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Determination of occupancy base

Total program costs	11,599,992
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Plus: fundraising costs	1,083,096
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Total occupancy base	\$ 12,683,088
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Occupancy rate	6.11%
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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, 2023, 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 February 13, 2024.

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.

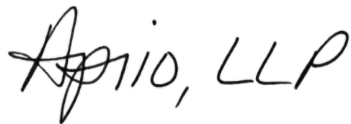
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Continued)

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
February 13, 2024

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, 2023. **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, 2023.

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 control over compliance, such that there is a

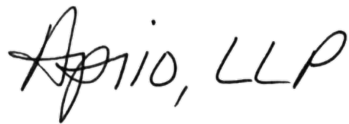
Independent Auditor's Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance (Continued)

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
February 13, 2024

Resources for the Future, Inc.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023		Federal Assistance Listing Number	Grant or Contract ID Number	Subaward ID Number	Passed Through to Subrecipients	Total 2023 Federal Expenditures
Project Name						
Federal Grantor/Pass-Through Grantor/Federal Program Title						
Research and Development Cluster						
National Aeronautics Space Agency						
Science	VALUABLES	43.001	NNX17AD26A	N/A	\$ 91,422	\$ 683,033
Total Direct National Aeronautics Space Agency					91,422	683,033
United State Department of Agriculture						
Conservation Reserve Program	Economic Impacts of the Conservation Reserve Program	10.069	FSA23CPT0013574	N/A	-	351
Consumer Data and Nutrition Research	Cost of Foodborne Illness Data	10.253	59-5000-0-0033	N/A	8,739	85,981
Agriculture and Food Research Initiative (AFRI)	Wood Utilization Assistance: Wildfire, Outdoor Rec and Outdoor Communities in Western US	10.310	20-DG-11094200-214	N/A	-	69,689
	Forest Service: Wildfire Risks in Rural Communities: Measuring Impact, Modeling Choices, Evaluating					
Agriculture and Food Research Initiative (AFRI)	Policies	10.310	2021-67023-34483	N/A	19,761	133,552
Agriculture and Food Research Initiative (AFRI)	Adapting to Variable Weather	10.310	2023-67023-39034	N/A	-	79,551
Partnership Agreements	Forest Service: Forest and Rangeland Renewable Resources Act (RPA) Assessment	10.699	23-CS-11132650-256	N/A	-	14,478
Partnership Agreements	Forest Service: The Economics of Wildfire's Impacts on Water Quality	10.699	20-JV-11272131-052	N/A	-	481
Partnership Agreements	Forest Service: Linking Policy Analysis to National Resource Assessments	10.699	20-JV-11132650-317	N/A	-	18,876
Partnership Agreements	Forest Service: Carbon Consequences of Alternative Harvest Practices	10.699	21-JV-11330180-084	N/A	-	23,202
Total Direct USDA					28,500	426,161
The United States Endowment for Forestry and Communities (USDA)						
Partnership Agreements	Forest Service: A National Industry Roundtable to Assess Science and Innovation Needs for Economic Viability and Market Development	10.699	22-JV-11111107-054	23-00570	-	27,500
University of Maryland (USDA)						
Agriculture and Food Research Initiative (AFRI)	Adapting Agroecosystems to Saltwater Intrusion	10.310	2018-68002-27915	61394-Z5062202	-	32,898
Total Direct & Indirect USDA					28,500	486,559
Department of Energy						
Clearly Energy (DOE)						
Office of Science	The State of Building Performance Standards	81.RD	DE-SC0020889	DE-SC0020889	-	4,925
Total Indirect Department of Energy					-	4,925
Environmental Protection Agency						
University of Maryland-College Park (EPA)						
Science to Achieve Results (STAR) Research Program	Septic to Sewer	66.509	84047701	121093-Z9933202	-	155,610
Total Indirect Environmental Protection Agency					-	155,610
Total Research and Development Cluster Federal Expenditures					\$ 119,922	\$ 1,330,127

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

Resources for the Future, Inc.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of presentation	The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Resources for the Future, Inc. under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Resources for the Future, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Resources for the Future, Inc.	
2. Summary of significant accounting policies	Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.	
3. Indirect cost rate	The Company has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.	
4. Reconciliation of revenue	The reconciliation of the Schedule of Expenditures of Federal Awards to the Consolidated Statement of Activities and Changes in Net Assets is as follows:	
	Schedule of Expenditures of Federal Awards	\$ 1,330,127
	Non-federal government awards	62,063
	Other foundation and corporate grants	7,431,013
	Total program grants and contracts	\$ 8,823,203

Resources for the Future, Inc.

Schedule of Findings and Questioned Costs

For The Year Ended September 30, 2023

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 ☒ no
- Significant deficiency(s) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(s) identified? ☐ yes ☒ 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 ☒ no

Identification of Major Programs:

Assistance Listing Number
Research and Development Cluster
43.001, 10.069, 10.253, 10.310
10.699, 10.U01, 10.U02, 10.U03
10.U04, 81.U01, 66.U01

Federal Grantor
NASA, USDA,
DOE, EPA

Resources for the Future, Inc.

Schedule of Findings and Questioned Costs (Continued)

For The Year Ended September 30, 2023

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