

**RESOURCES FOR THE FUTURE, INC.**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

# Resources for the Future, Inc.

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of **Resources for the Future, Inc.** (the "Organization") (a nonprofit organization), which comprise the Statements of Financial Position as of September 30, 2013 and 2012, and the related 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.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

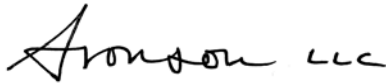
## Independent Auditor's Report (Continued)

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Resources for the Future, Inc.** as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As more fully described in Notes 2 and 3, the financial statements include investments valued at approximately \$7,782,962 (13% of net assets) at September 30, 2013, and \$6,634,874 (20% of net assets) at September 30, 2012, 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 that matter.



Rockville, Maryland  
February 5, 2014

<i>September 30,</i>	<b>2013</b>	2012
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 50,000	\$ 310,029
Grants and contract revenue receivable	1,348,984	543,997
Contributions receivable	1,664,517	1,259,301
Other receivables	788	77,149
Other assets	217,473	43,304
<b>Total current assets</b>	<b>3,281,762</b>	<b>2,233,780</b>
<b>Contributions receivable, net of current portion</b>	<b>587,490</b>	457,490
<b>Investments</b>		
Investments, at fair value	48,040,529	20,473,766
Investment in Land, LLC	8,900,000	8,900,000
Investment in RCC	-	4,689,894
<b>Total investments</b>	<b>56,940,529</b>	<b>34,063,660</b>
<b>Fixed assets - net of accumulated depreciation</b>	<b>6,844,141</b>	6,019,189
<b>Assets held under charitable trust agreements</b>	<b>373,046</b>	334,003
<b>Total assets</b>	<b>\$ 68,026,968</b>	\$ 43,108,122

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

## Resources for the Future, Inc.

### Statements of Financial Position

<i>September 30,</i>	<b>2013</b>	<b>2012</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Tax-exempt bond financing, current portion	\$ 260,000	\$ 250,000
Line of credit	-	908,776
Grants and awards payable	67,750	32,500
Accounts payable and accrued liabilities	1,612,343	1,712,976
Postretirement benefits, current	53,045	53,045
Deferred revenue	598,563	379,816
<b>Total current liabilities</b>	<b>2,591,701</b>	<b>3,337,113</b>
Tax-exempt bond financing, net of current portion	5,160,000	5,420,000
Postretirement benefits, net of current	463,763	469,645
Liabilities under split-interest agreements	237,323	221,052
Funds held for others	146,231	83,603
<b>Total liabilities</b>	<b>8,599,018</b>	<b>9,531,413</b>
<b>Net assets</b>		
Unrestricted	49,532,008	24,798,050
Temporarily restricted	3,583,035	2,855,752
Permanently restricted	6,312,907	5,922,907
<b>Total net assets</b>	<b>59,427,950</b>	<b>33,576,709</b>
<b>Total liabilities and net assets</b>	<b>\$ 68,026,968</b>	<b>\$ 43,108,122</b>

## Resources for the Future, Inc.

### Statement of Activities and Changes in Net Assets

<i>Year Ended September 30, 2013</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Changes in net assets</b>				
<b>Revenue</b>				
Program grants and contracts	\$ 3,008,515	\$ 4,246,775	\$ -	\$ 7,255,290
General support and contributions	1,646,524	-	390,000	2,036,524
Rental and equity income	2,023,711	-	-	2,023,711
Investment income - net of investment and custodial fees of \$302,555	1,567,343	-	-	1,567,343
Other revenue	13,017	-	-	13,017
Net assets released from restriction	3,895,669	(3,895,669)	-	-
<b>Total operating revenue</b>	<b>12,154,779</b>	<b>351,106</b>	<b>390,000</b>	<b>12,895,885</b>
<b>Expenses</b>				
<b>Research programs</b>				
Research	8,600,249	-	-	8,600,249
Academic Relations	185,195	-	-	185,195
Communications	1,255,065	-	-	1,255,065
Other direct	221,535	-	-	221,535
<b>Total research program expenses</b>	<b>10,262,044</b>	<b>-</b>	<b>-</b>	<b>10,262,044</b>
Fundraising	1,114,947	-	-	1,114,947
Management and administration	1,795,025	-	-	1,795,025
1616 P Street operations and maintenance	1,261,596	-	-	1,261,596
<b>Total functional expenses</b>	<b>14,433,612</b>	<b>-</b>	<b>-</b>	<b>14,433,612</b>
<b>Changes in net assets from operations</b>	<b>(2,278,833)</b>	<b>351,106</b>	<b>390,000</b>	<b>(1,537,727)</b>
<b>Non-operating revenues</b>				
Realized gain on sale of investment in RCC	24,581,087	-	-	24,581,087
Realized and unrealized gain on investment transactions	2,431,704	376,177	-	2,807,881
<b>Increase in net assets</b>	<b>24,733,958</b>	<b>727,283</b>	<b>390,000</b>	<b>25,851,241</b>
<b>Net assets at beginning of year</b>	<b>24,798,050</b>	<b>2,855,752</b>	<b>5,922,907</b>	<b>33,576,709</b>
<b>Net assets at end of year</b>	<b>\$ 49,532,008</b>	<b>\$ 3,583,035</b>	<b>\$ 6,312,907</b>	<b>\$ 59,427,950</b>

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

## Resources for the Future, Inc.

### Statement of Activities and Changes in Net Assets

<i>Year Ended September 30, 2012</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Changes in net assets</b>				
<b>Revenue</b>				
Program grants and contracts	\$ 3,767,460	\$ 3,471,195	\$ -	\$ 7,238,655
General support and contributions	1,756,781	-	-	1,756,781
Rental and equity income	3,168,343	-	-	3,168,343
Investment income - net of investment and custodial fees of \$178,382	187,317	-	-	187,317
Other revenue	35,177	-	-	35,177
Net assets released from restriction	2,800,510	(2,800,510)	-	-
<b>Total operating revenue</b>	<b>11,715,588</b>	<b>670,685</b>	<b>-</b>	<b>12,386,273</b>
<b>Expenses</b>				
<b>Research programs</b>				
Research	8,488,544	-	-	8,488,544
Academic Relations	188,594	-	-	188,594
Communications	1,140,249	-	-	1,140,249
Other direct	102,405	-	-	102,405
<b>Total research program expenses</b>	<b>9,919,792</b>	<b>-</b>	<b>-</b>	<b>9,919,792</b>
Fundraising	959,775	-	-	959,775
Management and administration	1,622,396	-	-	1,622,396
1616 P Street operations and maintenance	1,008,127	-	-	1,008,127
<b>Total functional expenses</b>	<b>13,510,090</b>	<b>-</b>	<b>-</b>	<b>13,510,090</b>
<b>Changes in net assets from operations</b>	<b>(1,794,502)</b>	<b>670,685</b>	<b>-</b>	<b>(1,123,817)</b>
<b>Non-operating revenues</b>				
Realized and unrealized gain on investment transactions	2,425,515	71,553	-	2,497,068
<b>Increase in net assets</b>	<b>631,013</b>	<b>742,238</b>	<b>-</b>	<b>1,373,251</b>
<b>Net assets at beginning of year</b>	<b>24,167,037</b>	<b>2,113,514</b>	<b>5,922,907</b>	<b>32,203,458</b>
<b>Net assets at end of year</b>	<b>\$ 24,798,050</b>	<b>\$ 2,855,752</b>	<b>\$ 5,922,907</b>	<b>\$ 33,576,709</b>

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



# Resources for the Future, Inc.

## Statement of Functional Expenses

<i>Year Ended September 30, 2013</i>										
Program - General										
	Research	Academic Relations	Communi-cations	Other Direct	Programs Total	Research Support	Fundraising	Management and Administration	1616 P Street Operations and Maintenance	Total
<b>RFF functional expenses</b>										
Salaries	\$ 3,516,592	\$ 4,188	\$ 546,519	\$ 101,872	\$ 4,169,171	\$ 1,027,254	\$ 615,348	\$ 941,977	\$ -	\$ 6,753,750
Benefits	997,581	1,257	163,575	562	1,162,975	289,539	180,116	273,061	-	1,905,691
Resident consultants	591,501	8,470	1,456	-	601,427	1,125	-	-	-	602,552
	<u>5,105,674</u>	<u>13,915</u>	<u>711,550</u>	<u>102,434</u>	<u>5,933,573</u>	<u>1,317,918</u>	<u>795,464</u>	<u>1,215,038</u>	<u>-</u>	<u>9,261,993</u>
<b>Other costs</b>										
Building operations	-	-	-	-	-	2,980	-	-	1,880,549	1,883,529
Occupancy	348,222	957	48,574	166	397,919	87,728	53,347	79,959	(618,953)	-
Research support	1,666,008	-	-	-	1,666,008	(1,666,008)	-	-	-	-
Communications	1,219	-	5,086	10,540	16,845	10,025	3,320	3,466	-	33,656
Computer services	6,412	-	46,512	105	53,029	106,839	24,541	39,650	-	224,059
Outside consultants	199,479	10,000	152,825	78,855	441,159	6,255	60,809	11,271	-	519,494
Conferences	161,440	12,822	95,248	15,334	284,844	23,719	109,488	25,782	-	443,833
Travel	129,146	16,447	6,648	2,117	154,358	8,829	55,990	2,878	-	222,055
Publication costs	42,301	-	127,513	6,023	175,837	7,332	6,420	10,830	-	200,419
Subawards	400,129	-	-	-	400,129	-	-	-	-	400,129
Professional service	427,002	-	32,129	-	459,131	-	-	59,084	-	518,215
Fellowship stipend	36,983	41,625	13,974	-	92,582	10,865	-	5,530	-	108,977
Grants	25,090	-	-	-	25,090	-	-	-	-	25,090
Dissertations	-	88,500	-	-	88,500	-	-	-	-	88,500
Depreciation	-	-	-	-	-	61	-	138,383	-	138,444
Other	51,144	929	15,006	5,961	73,040	83,457	5,568	203,154	-	365,219
	<u>3,494,575</u>	<u>171,280</u>	<u>543,515</u>	<u>119,101</u>	<u>4,328,471</u>	<u>(1,317,918)</u>	<u>319,483</u>	<u>579,987</u>	<u>1,261,596</u>	<u>5,171,619</u>
<b>Total RFF functional expenses</b>	<b>8,600,249</b>	<b>185,195</b>	<b>1,255,065</b>	<b>221,535</b>	<b>10,262,044</b>	<b>-</b>	<b>1,114,947</b>	<b>1,795,025</b>	<b>1,261,596</b>	<b>14,433,612</b>
<b>Indirect costs</b>										
General support	538,520	26,303	172,659	31,464	768,946	-	158,353	(1,106,480)	179,181	-
Reimbursed	672,755	-	5,595	-	678,350	-	-	(678,350)	-	-
Pass-through	10,195	-	-	-	10,195	-	-	(10,195)	-	-
	<u>1,221,470</u>	<u>26,303</u>	<u>178,254</u>	<u>31,464</u>	<u>1,457,491</u>	<u>-</u>	<u>158,353</u>	<u>(1,795,025)</u>	<u>179,181</u>	<u>-</u>
<b>Total on full absorption basis</b>	<b>\$ 9,821,719</b>	<b>\$ 211,498</b>	<b>\$ 1,433,319</b>	<b>\$ 252,999</b>	<b>\$ 11,719,535</b>	<b>\$ -</b>	<b>\$ 1,273,300</b>	<b>\$ -</b>	<b>\$ 1,440,777</b>	<b>\$ 14,433,612</b>

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

# Resources for the Future, Inc.

## Statement of Functional Expenses

<b>Year Ended September 30, 2012</b>										
Program - General										
	Research	Academic Relations	Communi-cations	Other Direct	Programs Total	Research Support	Fundraising	Management and Administration	1616 P Street Operations and Maintenance	Total
<b>RFF functional expenses</b>										
Salaries	\$ 3,427,365	\$ 4,077	\$ 558,849	\$ 5,497	\$ 3,995,788	\$ 952,890	\$ 581,069	\$ 936,077	\$ -	\$ 6,465,824
Benefits	1,003,573	1,203	164,639	1,622	1,171,037	274,546	167,374	259,547	-	1,872,504
Resident consultants	401,423	12,011	1,415	-	414,849	10,645	-	115	-	425,609
	<u>4,832,361</u>	<u>17,291</u>	<u>724,903</u>	<u>7,119</u>	<u>5,581,674</u>	<u>1,238,081</u>	<u>748,443</u>	<u>1,195,739</u>	<u>-</u>	<u>8,763,937</u>
<b>Other costs</b>										
Building operations					-	-	-	-	1,818,402	1,818,402
Occupancy	454,576	1,644	68,497	674	525,391	114,833	69,498	108,068	(817,790)	-
Research support	1,615,393	-	-	-	1,615,393	(1,615,393)	-	-	-	-
Communications	1,472	647	688	3,960	6,767	4,648	3,176	18,593	-	33,184
Computer services	2,665	-	80,079	12	82,756	118,556	14,343	28,406	-	244,061
Outside consultants	164,694	35,156	101,356	74,060	375,266	177	12,790	21,959	-	410,192
Conferences	102,107	14,006	41,338	4,718	162,169	19,587	37,872	36,681	-	256,309
Travel	145,122	6,929	(4,355)	3,287	150,983	7,868	43,870	3,911	-	206,632
Publication costs	15,955	-	55,990	5,000	76,945	11,167	5,488	5,462	-	99,062
Subawards	754,623	-	-	-	754,623	-	-	-	-	754,623
Subcontracts	-	-	16,120	-	16,120	-	-	-	-	16,120
Professional service	297,592	-	9,901	-	307,493	-	7,500	67,751	5,053	387,797
Fellowship stipend	91,906	66,502	5,750	-	164,158	28,141	-	13,540	-	205,839
Dissertations	-	41,500	-	-	41,500	-	-	-	-	41,500
Depreciation	-	-	-	-	-	105	-	13,941	2,462	16,508
Other	10,078	4,919	39,982	3,575	58,554	72,230	16,795	108,345	-	255,924
	<u>3,656,183</u>	<u>171,303</u>	<u>415,346</u>	<u>95,286</u>	<u>4,338,118</u>	<u>(1,238,081)</u>	<u>211,332</u>	<u>426,657</u>	<u>1,008,127</u>	<u>4,746,153</u>
<b>Total RFF functional expenses</b>	<b>8,488,544</b>	<b>188,594</b>	<b>1,140,249</b>	<b>102,405</b>	<b>9,919,792</b>	<b>-</b>	<b>959,775</b>	<b>1,622,396</b>	<b>1,008,127</b>	<b>13,510,090</b>
<b>Indirect costs</b>										
General support	399,112	25,739	154,628	2,057	581,536	-	130,987	(850,109)	137,586	-
Reimbursed	758,367	-	990	11,919	771,276	-	-	(771,276)	-	-
Pass-through	1,011	-	-	-	1,011	-	-	(1,011)	-	-
	<u>1,158,490</u>	<u>25,739</u>	<u>155,618</u>	<u>13,976</u>	<u>1,353,823</u>	<u>-</u>	<u>130,987</u>	<u>(1,622,396)</u>	<u>137,586</u>	<u>-</u>
<b>Total on full absorption basis</b>	<b>\$ 9,647,034</b>	<b>\$ 214,333</b>	<b>\$ 1,295,867</b>	<b>\$ 116,381</b>	<b>\$ 11,273,615</b>	<b>\$ -</b>	<b>\$ 1,090,762</b>	<b>\$ -</b>	<b>\$ 1,145,713</b>	<b>\$ 13,510,090</b>

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

## Resources for the Future, Inc.

### Statements of Cash Flows

<i>Years Ended September 30,</i>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 25,851,241	\$ 1,373,251
<b>Adjustments to reconcile increase in net assets to net cash used by operating activities</b>		
Depreciation	437,141	312,240
Net realized and unrealized gain on investments	(2,807,881)	(2,497,068)
Net realized and unrealized gain on assets held under charitable trust agreements	(58,821)	(53,226)
Realized gain from the sale of investment in RCC	(24,581,087)	-
Equity income from investments	-	(1,850,719)
Distributions from investments	-	1,195,956
Donated stock	(116,330)	(137,042)
Change in discount for pledges	-	(26,708)
<b>(Increase) decrease in</b>		
Grants and contract revenue receivable	(804,987)	679,521
Contributions receivable	(535,216)	(742,674)
Other receivables	76,361	(18,387)
Other assets	(194,188)	74,027
<b>Increase (decrease) in</b>		
Grants and awards payable	35,250	(3,125)
Accounts payable and accrued liabilities	(100,633)	346,083
Postretirement benefits	(5,882)	8,988
Deferred revenue	218,747	372,437
Liabilities under split-interest agreements	55,828	35,136
Funds held for others	62,628	46,206
Accrued interest	-	16,175
<b>Net cash used by operating activities</b>	<b>(2,467,829)</b>	<b>(868,929)</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(66,489,856)	(4,012,127)
Proceeds from sales of investments	41,847,304	5,193,944
Proceeds from the sale of investment in RCC	29,291,000	-
Disbursements from charitable trust agreements	(19,779)	(21,340)
Purchases of fixed assets	(1,262,093)	(317,864)
<b>Net cash provided by investing activities</b>	<b>3,366,576</b>	<b>842,613</b>
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	-	1,441,846
Payments on line of credit	(908,776)	(1,274,603)
Principal payments on tax-exempt bond financing	(250,000)	(235,000)
<b>Net cash used by financing activities</b>	<b>(1,158,776)</b>	<b>(67,757)</b>
<b>Change in cash and cash equivalents</b>	<b>(260,029)</b>	<b>(94,073)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>310,029</b>	<b>404,102</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 50,000</b>	<b>\$ 310,029</b>
<b>Supplemental information</b>		
Interest paid	\$ 44,263	\$ 86,006

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

# Resources for the Future, Inc.

## Notes to Financial Statements

### 1. Organization and significant accounting policies

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 and natural resource policy making worldwide through social science research of the highest caliber.

**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:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by RFF undertaking project activities and/or the passage of time.

Permanently restricted net assets - 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.

**Method of accounting:** The financial statements are prepared on the accrual basis of accounting.

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

**Grants and contract revenue receivable:** Grants and contracts receivable are recorded when the service is rendered or when expenses are incurred for federal programs. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. This balance is deemed fully collectible and therefore no allowance for doubtful accounts is deemed necessary as of September 30, 2013 and 2012.

**Contributions:** RFF recognizes all unconditional contributions received as income in the period received or pledged. Contributions receivable are recorded when pledged and amounts due after one year are discounted to present value at the risk-free rate at the time of the pledge. All accounts or portions thereof that are

## Resources for the Future, Inc.

### Notes to Financial Statements

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deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. All balances are considered fully collectible and therefore no allowance for doubtful accounts is deemed necessary as of September 30, 2013 and 2012.

**Investments:** Investments in marketable securities are presented at fair value. Hedge funds are valued at the fair value of the underlying investments when actively traded on open markets. 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, 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.

RFF values 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

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 of any input that is significant to the fair value measurement.

The investments in Resources and Conservation Center, LLP (RCC) and Land, LLC are recorded under the equity method. As described in Note 16, RFF sold its interest in RCC during the year. In addition, RFF holds a non-controlling 50% interest in Land, LLC which owns the land under the office building owned by RCC.

## Resources for the Future, Inc.

### Notes to Financial Statements

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**Fixed assets:** Fixed assets of \$500 or more are carried at cost and depreciated using the straight-line method over their estimated useful lives which are as follows:

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

**Tax-exempt bond financing:** RFF obtained permanent financing on the 1616 P Street building through the issuance of tax-exempt bond financing in August 1998. The bond payable has a variable interest rate which averaged 0.65% and 1.21% for the years ended September 30, 2013 and 2012, respectively. See Note 12.

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

#### **Revenue and expense recognition:**

Revenue from program grants and contracts are recognized in amounts equal to total reimbursable direct and indirect costs. Contributions are recognized when the pledge is received.

Rental income is recognized straight-line over the period of the lease.

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

**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 amount the programs and supporting services benefited.

<i>Allocated Expenses</i>	<i>Basis for Allocation</i>
Employee benefits	Total salaries
Rent	Total salaries and benefits
Research support	Research salaries and benefits
Management and administration	Total direct costs

## Resources for the Future, Inc.

### Notes to Financial Statements

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**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, 2013 and 2012, 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 2010 through the current year remain open for examination by tax authorities.

**Accounting estimates:** The preparation of 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.

**Subsequent events:** Management has evaluated subsequent events for disclosure in the financial statements through February 5, 2014, which is the date the financial statements were available to be issued. (See Note 16.)

## Resources for the Future, Inc.

### Notes to Financial Statements

#### 2. Investments

The following is a summary of the investment portfolio by type of security at fair value as of September 30,

	2013	2012
<b>Operating fund</b>		
Money market accounts	\$ 30,918	\$ 12,603
<b>Reserve fund</b>		
Money market accounts	\$ 554,898	\$ 196,719
Domestic equity emerging markets	7,514,421	3,209,484
International equity emerging markets	7,337,645	3,970,405
Global allocation funds	5,328,529	4,078,058
Fixed income – convertible securities	9,179,374	837,291
Commodities	3,109,664	1,133,380
Hedge funds	7,732,635	6,584,547
Long-short equity	1,706,857	317,350
Private placement	50,327	50,327
Equity exchange traded funds	5,349,028	-
<b>Total reserve fund</b>	<b>\$ 47,863,378</b>	<b>\$ 20,377,561</b>
<b>Gift fund</b>		
Money market accounts	\$ 987	\$ 4,805
Mutual fund – domestic	6,264	16,321
Mutual fund – international	138,982	15,786
Mutual fund – fixed income	-	46,690
<b>Total gift fund</b>	<b>\$ 146,233</b>	<b>\$ 83,602</b>
<b>Total investment portfolio</b>	<b>\$ 48,040,529</b>	<b>\$ 20,473,766</b>

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

	2013	2012
<b>Operating</b>		
Interest and dividends	\$ 1,869,898	\$ 365,699
Investment and custodial fees	(302,555)	(178,382)
	<b>1,567,343</b>	<b>187,317</b>
<b>Non-operating</b>		
Realized and unrealized gain on investment transactions	2,807,881	2,497,068
<b>Total investment income</b>	<b>\$ 4,375,224</b>	<b>\$ 2,684,385</b>



## Resources for the Future, Inc.

### Notes to Financial Statements

3. Fair value      The fair value of assets and liabilities as of September 30, 2013 is as follows:

September 30, 2013	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investment portfolio</b>				
Money market	\$ 586,803	\$ 586,803	\$ -	\$ -
Mutual fund – domestic	6,264	6,264	-	-
Mutual fund – international	138,982	138,982	-	-
Domestic equity emerging markets	7,514,421	7,514,421	-	-
International equity emerging markets	7,337,645	7,337,645	-	-
Global allocation funds	5,328,529	5,328,529	-	-
Fixed income	9,179,374	9,179,374	-	-
Commodities	3,109,664	3,109,664	-	-
Hedge funds	7,732,635	-	-	7,732,635
Long-short equity	1,706,857	1,706,857	-	-
Private placement	50,327	-	-	50,327
Equity exchange traded funds	5,349,028	5,349,028	-	-
<b>Total investment portfolio</b>	<b>48,040,529</b>	<b>40,257,567</b>	<b>-</b>	<b>7,782,962</b>
Money market	200	200	-	-
Mutual fund – domestic	232,035	232,035	-	-
Mutual fund – international	108,268	108,268	-	-
Mutual fund – fixed income	32,543	32,543	-	-
<b>Total assets held under trust</b>	<b>373,046</b>	<b>373,046</b>	<b>-</b>	<b>-</b>
Split interest obligation	(237,323)	-	-	(237,323)
<b>Total fair value</b>	<b>\$48,176,252</b>	<b>\$40,630,613</b>	<b>\$ -</b>	<b>\$ 7,545,639</b>

## Resources for the Future, Inc.

### Notes to Financial Statements

The fair value of assets and liabilities as of September 30, 2012 is as follows:

September 30, 2012	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment portfolio				
Money market	\$ 214,127	\$ 214,127	\$ -	\$ -
Mutual fund – domestic	16,321	16,321	-	-
Mutual fund – international	15,786	15,786	-	-
Mutual fund – fixed income	46,690	46,690	-	-
Domestic equity emerging markets	3,209,484	3,209,484	-	-
International equity emerging markets	3,970,405	3,970,405	-	-
Global allocation funds	4,078,058	4,078,058	-	-
Fixed income	837,291	-	837,291	-
Commodities	1,133,380	1,133,380	-	-
Hedge funds	6,584,547	-	-	6,584,547
Long-short equity	317,350	317,350	-	-
Private placement	50,327	-	-	50,327
Equity exchange traded funds	-	-	-	-
Total investment portfolio	20,473,766	13,001,601	837,291	6,634,874
Money market	47	47	-	-
Mutual fund – domestic	196,967	196,967	-	-
Mutual fund – international	91,348	91,348	-	-
Mutual fund – fixed income	45,641	45,641	-	-
Total assets held under trust	334,003	334,003	-	-
Split interest obligation	(221,052)	-	-	(221,052)
Total fair value	\$20,586,717	\$ 13,335,604	\$ 837,291	\$ 6,413,822

## Resources for the Future, Inc.

### Notes to Financial Statements

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Level 3 values for split-interest obligations are developed utilizing actuarial calculations that approximate their present value.

Level 3 values for alternative investments were developed utilizing the net asset value (NAV) as reported by the finance committee. The committee receives a NAV from the underlying fund manager. The NAV is determined by the fund managers based on the fair value of the underlying investments on the most recent practicable date. Each share within a series has the same NAV. 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 RFF's proportionate share of the funds' capital as reported by their general partners. Market value of underlying securities is determined by external managers based on a combination of discounted cash flow analysis, industry comparable, and outside appraisals. There have been no changes to the valuation technique for the years ended September 30, 2013 and 2012. The risk of any derivative exposure is limited to the amount invested with each manager.

RFF has determined 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 amounts of its Level 3 investments are a reasonable estimate of fair value as of September 30, 2013 and 2012. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

RFF has invested in hedge funds for the purpose of diversifying investment risk. These investments include long/short equities, convertible, merger/risk and fixed-income arbitrage, and distressed securities. There are no unfunded commitments related to RFF's alternative investments. RFF has no plans to sell its Level 3 investments for values other than the NAV as of September 30, 2013 and 2012.

RFF has invested in alternative investments for the purpose of diversifying investment risk. The significant Level 3 investments are comprised of the following:

**Ironwood Partners** – The fund manager's strategy is to build low volatility, multi-manager portfolios with underlying managers that employ market neutral or market uncorrelated investment strategies that offer risk adjusted returns. The portfolios include: convertible bond arbitrage, credit opportunities, purchase or short sale of distressed securities, event-driven investing, and other arbitrage based strategies.

## Resources for the Future, Inc.

### Notes to Financial Statements

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The NAV of the underlying investments is calculated based on monthly sub-fund reported values and is estimated to reflect the amount the fund might reasonably expect to receive for their interests were they to be redeemed at the time of valuation.

Redemptions of shares at NAV are allowed based upon 95 days written notice as of the twelfth month-end following the date of purchase and as of the last day of each six-month period thereafter and occur on a first-in first-out basis. Shareholders that redeem all of their shares will have 5% of the NAV withheld until completion of the fund's annual audit. Payment of redemption proceeds may be delayed if the fund directors determine the liquidation would be detrimental to the remaining shareholders. In such instances, the redemption shall accrue interest at a rate equal to the average 13-week U.S. Treasury bill rate on the date of redemption. In addition, directors may waive redemption lockup periods.

**Pointer, LP**– The fund is classified as a master/feeder fund with a strategy of investing in private companies as well as debt securities, physical commodities, other investment partnerships, and credit default swaps.

The NAV of the underlying investments is calculated semi-monthly based on capital reports from the underlying investment managers. Redemptions of shares at NAV are allowed annually with written notice before September 15<sup>th</sup> of the fiscal year after an initial twelve month holding period. Investment managers may waive lock-up periods at their discretion.

**Silver Creek Long/Short International**– The fund is a master/feeder fund with a strategy of long/short purchases and sales of underlying investments including equity securities, depository receipts, warrants, notes, bonds and debentures, options, futures, and commodity markets. Beginning in April 2009, the fund commenced an orderly liquidation of its portfolio and began redeeming shareholder capital on a pro rata basis as proceeds were received from the underlying investee funds. Since the fund is in liquidation, contributions and withdrawals are no longer permitted. The fund expects the next liquidation payment to be in February 2014.

**Golden Tree Asset Management, LP**–The fund includes public and private non-investment grade and nonrated debt, convertible bonds, preferred stock, bank debt, trade claims, assignments, options, debentures, and commercial paper. Withdrawal terms allow all or a portion of the investor's capital account to be withdrawn semi-annually with 90 days written notice but are subject to an early withdrawal fee for withdrawals occurring in the first six months after purchase.

## Resources for the Future, Inc.

### Notes to Financial Statements

**Skybridge Multi-Advisor Hedge Fund Portfolios LLC**– The fund is a fund of hedge funds with a strategy of investing in third-party investment managers with leverage or short-side positions. The funds’ portfolios include directional equity and macro fund investments, and event driven investments. The NAV is computed using the total of monthly income and expense divided by beginning of the month shares.

Redemptions of underlying investments are permitted in periods ranging from monthly to annual, with a 1% portion of the underlying funds in gated, illiquid or currently on locked-up status. Shareholder redemptions must be repurchased by the fund and are subject to the current conditions of the fund. Shares must be tendered for repurchase using written notice quarterly with 45 days notice. A hold-back of 5% of the NAV may be applied with full payment expected within 90 days of the valuation date.

A reconciliation of beginning and ending balances of investments valued using significant unobservable inputs for the year ended September 30, 2013 are as follows:

	Balance at September 30, 2012	Total realized gains or losses	Total unrealize d gains or losses	Purchases and issuances	Sales and settlements	<b>Balance at September 30, 2013</b>
<b>Hedge funds</b>						
Ironwood						
Partners	\$ 1,874,732	\$ -	\$ -	\$ 211,391	\$ -	<b>\$ 2,086,123</b>
Pointer, LP	2,294,294	-	-	253,464	-	<b>2,547,758</b>
Shepherd						
Investments						
International	122,940	-	-	5,142	(17,654)	<b>110,428</b>
Silver Creek						
Long/Short						
International	221,529	(2,480)	-	-	(92,909)	<b>126,140</b>
Golden Tree	1,218,119	-	107,863	-	-	<b>1,325,982</b>
Skybridge	852,933	-	113,271	570,050	(50)	<b>1,536,204</b>
<b>Private</b>						
<b>placement</b>						
Hicks Muse	50,327	-	-	-	-	<b>50,327</b>
<b>Total</b>						
<b>alternative</b>	\$ 6,634,874	\$ (2,480)	\$221,134	\$ 1,040,047	\$ (110,613)	<b>\$ 7,782,962</b>
<b>Split interest</b>						
<b>obligation</b>	\$ (221,052)	\$ -	\$ (58,255)	\$ 41,984	\$ -	<b>\$ (237,323)</b>

## Resources for the Future, Inc.

### Notes to Financial Statements

A reconciliation of beginning and ending balances of certain investments using significant unobservable inputs for the year ended September 30, 2012 are as follows:

	Balance at September 30, 2011	Total gains or losses (realized and unrealized)	Purchases, sales, issuances and settlements	Balance at September 30, 2012
<b>Hedge funds</b>				
<b>Ironwood</b>				
Partners	\$ 1,758,335	\$ 116,397	\$ -	\$ 1,874,732
Pointer, LP	2,144,915	149,379	-	2,294,294
<b>Shepherd</b>				
<b>Investments</b>				
International	178,271	(2,476)	(52,855)	122,940
<b>Silver Creek</b>				
<b>Long/Short</b>				
International	394,239	2,947	(175,657)	221,529
Golden Tree	1,069,327	148,792	-	1,218,119
Skybridge	781,204	58,834	12,895	852,933
<b>Private</b>				
<b>placement</b>				
Hicks Muse	50,327	-	-	50,327
<b>Total</b>				
<b>alternative</b>	\$ 6,376,618	\$ 473,873	\$ (215,617)	\$ 6,634,874
<b>Split interest</b>				
<b>obligation</b>	\$ (207,653)	\$ (53,226)	\$ 28,007	\$ (221,052)

The amount of total unrealized gains for the period included in the change in net assets attributable to Level 3 assets still held at September 30, 2013 and 2012 is \$221,134 and \$473,873, respectively. The total increase in the split interest obligation was \$16,271 and \$25,219 for the years ending September 30, 2013 and 2012, respectively.

## Resources for the Future, Inc.

### Notes to Financial Statements

Gains and losses (realized and unrealized) on all investments included in changes in net assets for the years ended September 30, 2013 and 2012 are reported in investment (loss) income as follows:

	Total investment income (loss)	
	2013	2012
Total realized (loss) gain included in change in net assets	\$ 269,502	\$ (67,208)
Change in unrealized gain relating to assets still held at September 30,	2,538,379	2,564,276
<b>Subtotal</b>	<b>2,807,881</b>	2,497,068
Change in unrealized gain relating to assets held under trust	58,821	53,226
<b>Total realized and unrealized gain</b>	<b>\$ 2,866,702</b>	\$ 2,550,294

**4. 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 net assets available for benefits.

**5. Partnership interest held for investment**

At September 30, 2013 and 2012, RFF holds a 50% interest in Land, LLC, which owns the land located at 1400 16<sup>th</sup> Street, NW, Washington D.C. The land is leased to Resources and Conservation Center, LLP (RCC) under a 100-year ground lease that has been in effect since 1984. RCC's payment under the ground lease is \$93,171 per month. RFF's portion of Land, LLC's income totaled \$553,512 and \$545,956 for the years ended September 30, 2013 and 2012, respectively, which is included in rental income on the Statement of Activities and Changes in Net Assets. Rental income is recognized ratably over the term of the lease.

The interest in Land, LLC is included in the accompanying Statements of Financial Position as of September 30, 2013 and 2012 at \$8,900,000. (See Note 16)

RFF held a non-controlling 50% interest in RCC. As described in Note 16, the interest was sold in October 2012. The interest in RCC is included on the accompanying Statements of Financial Position as of September 30, 2012 as \$4,689,894.

## Resources for the Future, Inc.

### Notes to Financial Statements

- 6. Contributions receivable** At September 30, 2013 and 2012, RFF had unconditional contributions receivable that included amounts due in:

	2013	2012
Less than one year	\$ 1,664,517	\$ 1,259,301
One to five years	130,000	-
Fifteen to twenty years	1,000,000	1,000,000
<b>Contributions receivable before discount</b>	<b>2,794,517</b>	2,259,301
Present value discount	(542,510)	(542,510)
<b>Contributions receivable</b>	<b>\$ 2,252,007</b>	\$ 1,716,791

The receivables have been discounted to their present value using a risk adjusted rate of 6.20%. Changes in the present value discount are recorded as contribution revenue and are included in general support and contributions on the accompanying Statements of Activities and Changes in Net Assets.

- 7. Fixed assets** Fixed assets consisted of the following as of September 30,

	2013	2012
Operating		
Building - 1616 P Street	\$ 8,708,728	\$ 8,698,972
Building improvements	1,475,461	425,929
Furniture and equipment	1,560,515	1,357,710
	<b>11,744,704</b>	10,482,611
Accumulated depreciation	(4,900,563)	(4,463,422)
<b>Operating fixed assets, net</b>	<b>\$ 6,844,141</b>	\$ 6,019,189

Depreciation expense is included on the accompanying Statements of Functional Expense as follows as of September 30,

	2013	2012
Building and related improvement depreciation included in occupancy expense	\$ 241,154	\$ 236,509
Computer and website improvement depreciation included in research expense	57,543	59,223
Furniture and equipment depreciation	138,444	16,508
<b>Total depreciation expense</b>	<b>\$ 437,141</b>	\$ 312,240



## Resources for the Future, Inc.

### Notes to Financial Statements

**8. Retirement plan** RFF employees are eligible for participation in RFF's retirement program, which is invested in individual retirement contracts at TIAA-CREF, insurance companies, Merrill Lynch or Morgan Stanley Smith Barney. Individual contracts issued under the plan provide for full and immediate vesting of both RFF's and the participants' contributions. RFF's contributions amounted to \$823,918 and \$804,044 for the years ended September 30, 2013 and 2012, respectively.

**9. 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. RFF's post-retirement benefit obligations under this plan as of September 30, 2013 and 2012 were estimated to be \$516,808 and \$522,690, respectively, and these amounts are included in the accompanying Statements of Financial Position. There are no separate plan assets associated with these liabilities. The plan expenses for the years ended September 30, 2013 and 2012 were as follows:

	2013	2012
Service costs	\$ 7,105	\$ 9,908
Projected interest cost	23,051	17,569
<b>Net periodic cost</b>	<b>\$ 30,156</b>	<b>\$ 27,477</b>

Actual payments made under the plan were \$21,827 and \$18,489 for the years ended September 30, 2013 and 2012, respectively.

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

Year Ending September 30,	Amount
2014	\$ 53,045
2015	46,364
2016	45,787
2017	46,244
2018	38,215

## Resources for the Future, Inc.

### Notes to Financial Statements

**10. Split interest agreements** RFF is the trustee of two charitable remainder unitrusts (CRT's) where they have the charitable remainder interest. The combined trust assets as of September 30, 2013 and 2012 are as follows:

	2013	2012
Money market accounts	\$ 200	\$ 47
Mutual fund – domestic	232,035	196,967
Mutual fund – international	108,268	91,348
Mutual fund – fixed income	32,543	45,641
<b>Assets held under charitable trust agreements</b>	<b>\$ 373,046</b>	<b>\$ 334,003</b>

The trust assets are Level 1 investments. Money market accounts are stated at cost and mutual funds are stated at fair market value based on observable markets.

RFF has also received certain donations pursuant to charitable gift annuity agreements (CGA's). Under these arrangements RFF receives unrestricted assets and incurs an obligation to fund an annuity stream pursuant to the terms of the respective agreements.

The estimated present value of liabilities under the CGA's along with the CRT liabilities are collectively reflected as liabilities under split-interest agreements in the accompanying Statements of Financial Position.

**11. Line of credit** During 2010, RFF entered into a revolving line of credit agreement. This line has no maturity date and no formal repayment terms. Amounts available are based on the margin release of investments held (between 30-50%) and bear interest at the London Interbank Offering Rate and client spread (3.22% at September 30, 2013 and 2012). At September 30, 2013 and 2012, \$1,000,000 and \$88,882, respectively, was available. The line is collateralized by a portion of RFF's investment portfolio which totaled \$2,132,109 as of September 30, 2013 and 2012. The line of credit balance was paid down as of September 30, 2013. The line of credit balance at September 30, 2012 was \$908,776.

**12. Tax exempt bond financing** RFF obtained permanent financing on the 1616 P Street building through the issuance of District of Columbia Variable Rate Revenue Bonds, Series 1998. These bonds mature, subject to prior redemption, on August 1, 2029. The interest rate on these bonds is determined weekly by a remarketing agent. The average interest rate for the years ended September 30, 2013 and 2012 was 0.65% and 1.21%, respectively. For the years ended September 30, 2013 and 2012, interest expense relating to the tax-exempt financing was \$36,139 and \$69,831, respectively, which is included as part of Building Operations and Maintenance expenses in the accompanying Statements of Functional Expenses. The principal redemptions required on these bonds for the next five years, and thereafter are as follows:

## Resources for the Future, Inc.

### Notes to Financial Statements

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Year Ending September 30,	Amount
2014	\$ 260,000
2015	270,000
2016	285,000
2017	295,000
2018	310,000
Thereafter	4,000,000
<b>Total</b>	<b>\$ 5,420,000</b>

To support the bonds, RFF has an Irrevocable Letter of Credit from Citibank in the amount of \$7,405,600. This letter of credit expires August 1, 2014. 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.

## Resources for the Future, Inc.

### Notes to Financial Statements

#### 13. Temporarily restricted net assets

Temporarily restricted net assets are restricted for the following program areas as of September 30, 2013 and 2012 as follows:

	2013			
	Temporarily Restricted Funds as of September 30, 2012	Contributions and Gain on Investments	Satisfaction of Temporarily Restricted Funds	Temporarily Restricted Funds as of September 30, 2013
Center for Forest Economics & Policy	\$ 1,243	\$ 53,000	\$ 42,665	\$ 11,578
Center for Climate & Electricity Policy	1,053,772	1,289,780	1,255,591	1,087,961
Health Program	196,247	95,774	292,021	-
Center for Energy Economics & Policy	800,616	1,177,865	1,178,194	800,287
Center for the Management of Ecological Wealth	570,033	31,753	525,608	76,178
Other Research Programs	233,841	1,974,780	601,590	1,607,031
<b>Total</b>	<b>\$ 2,855,752</b>	<b>\$ 4,622,952</b>	<b>\$ 3,895,669</b>	<b>\$ 3,583,035</b>

	2012			
	Temporarily Restricted Funds as of September 30, 2011	Contributions	Satisfaction of Temporarily Restricted Funds	Temporarily Restricted Funds as of September 30, 2012
Center for Forest Economics & Policy	\$ 1,243	\$ 58,000	\$ 58,000	\$ 1,243
Center for Climate & Electricity Policy	657,242	1,414,500	1,017,970	1,053,772
Health Program	269,869	-	73,622	196,247
Center for Energy Economics & Policy	717,955	964,691	882,030	800,616
Center for the Management of Ecological Wealth	317,376	681,501	428,844	570,033
Other Research Programs	149,829	424,056	340,044	233,841
<b>Total</b>	<b>\$ 2,113,514</b>	<b>\$ 3,542,748</b>	<b>\$ 2,800,510</b>	<b>\$ 2,855,752</b>

## Resources for the Future, Inc.

### Notes to Financial Statements

#### 14. Permanently restricted net assets

Permanently restricted net assets are held in perpetuity. The income is used to fund certain chairs, which as of September 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Gaskins chair	\$ 2,000,000	\$ 2,000,000
Starr chair	2,004,047	2,004,047
Klutznick chair	1,422,710	1,422,710
Krutilla chair	139,650	139,650
Landsberg chair	31,135	31,135
Kneese chair	325,365	325,365
Forestry chair	390,000	-
<b>Total</b>	<b>\$ 6,312,907</b>	<b>\$ 5,922,907</b>

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 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 permanently restricted net assets (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 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

The change in endowment net assets for the year ended September 30, 2013:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at September 30, 2012	\$ -	\$ 71,553	\$ 5,922,907	<b>\$ 5,994,460</b>
Contributions	-	-	390,000	<b>390,000</b>
Expenditures	-	(225,010)	-	<b>(225,010)</b>
Investment gain	-	376,177	-	<b>376,177</b>
Endowment net assets at September 30, 2013	<b>\$ -</b>	<b>\$ 222,720</b>	<b>\$ 6,312,907</b>	<b>\$ 6,535,627</b>

The change in endowment net assets for the year ended September 30, 2012:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at September 30, 2011	\$ (483,848)	\$ -	\$ 5,922,907	\$ 5,439,059
Contributions	-	-	-	-
Expenditures	(225,010)	-	-	(225,010)
Investment gain	708,858	71,553	-	780,411
Endowment net assets at September 30, 2012	<b>\$ -</b>	<b>\$ 71,553</b>	<b>\$ 5,922,907</b>	<b>\$ 5,994,460</b>

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, 2013 and 2012 is \$6,312,907 and \$5,922,907, respectively.

## Resources for the Future, Inc.

### Notes to 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 unrestricted net assets. The underwater status of these funds resulted from unfavorable market fluctuations.

*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 Investment 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.

#### 15. Operating leases

RFF owns the office building at 1616 P Street, NW, in Washington, D.C. RFF occupies almost 40% of the building and leases the balance of the office space to other like-purpose 501(c)(3) organizations. These operating leases expire in various years through 2018.

Future minimum payments receivable as of September 30, 2013 are listed below:

Year ending September 30,	Amount
2014	\$ 1,526,544
2015	1,399,767
2016	1,355,523
2017	119,585
2018	64,775
<b>Total</b>	<b>\$ 4,466,194</b>

Total lease revenue for the year for the 1616 P Street office building was \$1,474,965 and \$1,424,407 for the years ended September 30, 2013 and 2012, respectively.

## Resources for the Future, Inc.

### Notes to Financial Statements

During the year ended September 30, 2013, RFF sold its interest in RCC (see Note 16) and transferred the leases related to RCC to the purchaser. Rental revenue on leases related to RCC was \$1,191,815 for the year ended September 30, 2012.

The land at 1616 P Street is owned by an unrelated party. RFF is currently leasing the land under a 99-year lease at a rate of \$242,000 per year. The lease commenced January 1, 1986 has a remaining term of 72 years. The future minimum lease payments are as follows as of September 30, 2013:

Year ending Sept 30,	Amount
2014	\$ 242,000
2015	242,000
2016	242,000
2017	242,000
2018	242,000
Thereafter	16,214,000
Total	\$ 17,424,000

#### 16. Related party transactions

RFF owned a non-controlling 50% interest in Resources and Conservation Center, LLP (RCC). On October 17, 2012, the owner of the other 50% interest in RCC, CTIA – The Wireless Association (CTIA), purchased RFF's interest in RCC for \$29,291,000. The sale of RFF's 50% interest in RCC resulted in a realized gain of \$24,581,087 which is included as realized gain on sale of investment on the accompanying 2013 Statement of Activities and Changes in Net Assets. RFF has no continuing obligations related to RCC. The summary financial information of RCC as of and for the years ended September 30, 2012 is as follows:

	2012
Total assets	<u>\$ 14,989,332</u>
Total liabilities	<u>\$ 5,835,439</u>
Total owners' equity	<u>\$ 9,153,893</u>
Total income	<u>\$ 8,177,828</u>
Total expenses	<u>\$ 5,927,431</u>
Net income after taxes	<u>\$ 2,220,397</u>



## **Resources for the Future, Inc.**

### **Notes to Financial Statements**

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RFF also has related party activity in its 50% interest of Land, LLC.'s ground rental income.

At the time of the sale of RCC, CTIA also paid \$100,000 for a nonrefundable option to purchase RFF's ownership of Land, LLC for \$13.1 million, a mutually agreed upon value based on market analysis. CTIA exercised the option, purchasing RFF's interest in Land, LLC on January 23, 2014.



## Independent Auditor's Report on Supplementary Information

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

We have audited the financial statements of **Resources for the Future, Inc.** as of and for the years ended September 30, 2013 and 2012, and our report thereon dated February 5, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Dissertation Awards and Schedule of Determination of Cost Recovery Rates are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Rockville, Maryland  
February 5, 2014

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**Resources for the Future, Inc.**

**Schedule of Dissertation Awards**

<i>Year Ended September 30, 2013</i>	Balance at October 1, 2012	Grants Awarded	Payments Made	Balance at September 30, 2013
<b>Dissertation awards program</b>				
Peter Maniloff "Volatility and environmental policy" exploring ethanol and oil price shocks, price containment in GHG cap-and-trade, and environmental liability.	\$ 13,500	\$ -	\$ 13,500	\$ -
Nicole Ngo Air pollution and health in New York City and Nairobi.	2,250	-	2,250	-
Paul Scott Developing structural estimation models for crop choice decisions and applying those results to evaluate the effects of potential regulations of greenhouse gases from agriculture.	11,250	-	11,250	-
Timothy Fitzgerald Research on natural gas fracking and its associated energy/environmental tradeoffs.	5,500	-	5,500	-
Derek Lemoine "Estimating the Agglomeration Externalities of Wind Power Development in China: A Structural Approach"	-	5,500	-	<b>5,500</b>
Daniel Shawhan "The Impact of Futures Trading on the Price of Oil"	-	47,000	11,750	<b>35,250</b>
Cornell University / Adrian Lopes "Quantifying the General Equilibrium Welfare Gains of Improvements in Health and Longevity"	-	2,000	500	<b>1,500</b>
Lala Ma "China's Collective Forest Tenure Reform: Drivers, Outcomes and Follow-up Policies"	-	18,000	4,500	<b>13,500</b>
Erica Myers Market and non-market valuation pertaining to the costs and benefits of environmental policy	-	2,000	500	<b>1,500</b>
Ashwin Rode Fiscal effects of environmental taxation at the US state level	-	12,000	3,000	<b>9,000</b>
Sweeney, Richard	-	2,000	500	<b>1,500</b>
	<b>\$ 32,500</b>	<b>\$ 88,500</b>	<b>\$ 53,250</b>	<b>\$ 67,750</b>

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

## Resources for the Future, Inc.

### Schedule of Determination of Cost Recovery Rates

*Year Ended September 30, 2013*

<b>Management and administration rate</b>	
Management and administration costs	\$ 1,795,025
Determination of direct cost base	
Total program costs plus building operations before allocation	\$ 11,523,640
Plus fundraising costs before allocation	\$ 1,114,947
<b>Total direct cost base</b>	<b>\$ 12,638,587</b>
Management and administration rate	<b>14.20%</b>
<b>Regular fringe benefits rate</b>	
Regular benefits	\$ 1,829,442
Regular salaries	\$ 6,096,235
Regular fringe benefits rate	<b>30.01%</b>
<b>Research assistant fringe benefits rate</b>	
Research assistant benefits	\$ 76,249
Research assistant salaries	\$ 433,059
Research assistant fringe benefits rate	<b>17.61%</b>
<b>Research support rate</b>	
Research support expenses	\$ 1,546,333
Research salaries and benefits	\$ 3,617,003
Research support rate	<b>42.75%</b>
<b>Program research support rate</b>	
Program research support expenses	\$ 119,675
Program research salaries and benefits	\$ 598,375
Program research support rate	<b>20.00%</b>
<b>Occupancy rate</b>	
Occupancy expense	\$ 618,953
Salaries and benefits	\$ 9,037,537
Occupancy rate	<b>6.85%</b>

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