

**NATURAL RESOURCE GOVERNANCE INSTITUTE  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**



**LUTZ AND CARR**

CERTIFIED PUBLIC ACCOUNTANTS, LLP

551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176

212-697-2299 FAX: 212-949-1768

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Natural Resource Governance Institute

We have audited the accompanying consolidated financial statements of Natural Resource Governance Institute (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Natural Resource Governance Institute and Subsidiaries as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 11 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to that matter.

*Lutz + Carr, LLP*

New York, New York  
April 21, 2020

**NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents (Notes 1c and 3)	\$5,152,898	\$ 4,577,436
Contributions receivable (Notes 1d and 5a)		
Without donor restrictions	396,133	234,004
With donor restrictions	3,272,667	4,385,554
Accounts receivable	-	82,870
Prepaid expenses	342,532	447,923
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 6)	204,520	385,128
Other assets (Note 9b)	209,093	184,764
 <b>Total Assets</b>	 <b>\$9,577,843</b>	 <b>\$10,297,679</b>
 <b>Liabilities and Net Assets</b>		
Liabilities		
Accrued expenses (Note 9b)	\$1,511,006	\$ 1,421,032
Grants payable (Notes 1f and 8)	131,220	262,108
Refundable grants	-	79,625
Deferred revenue (Note 1g)	-	10,115
Deferred rent liability (Note 1h)	119,072	174,927
Total Liabilities	1,761,298	1,947,807
 Commitments and Contingencies (Notes 7, 9 and 11)		
 Net Assets		
Without donor restrictions (Note 1j)	3,278,244	3,071,079
With donor restrictions (Notes 1j and 4)	4,538,301	5,278,793
Total Net Assets	7,816,545	8,349,872
 <b>Total Liabilities and Net Assets</b>	 <b>\$9,577,843</b>	 <b>\$10,297,679</b>

See notes to consolidated financial statements.

## NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Changes in Net Assets</b>						
Revenue and Support						
Contributions (Note 1a)						
Non-governmental organizations and foundations	\$ -	\$ 5,142,890	\$ 5,142,890	\$ 4,350,000	\$ 6,150,000	\$10,500,000
United States governmental development agencies	-	25,691	25,691	-	248,707	248,707
Foreign governmental development agencies	-	7,022,269	7,022,269	-	5,568,845	5,568,845
International organizations	-	321,979	321,979	-	-	-
Individuals	47,000	-	47,000	-	-	-
Consulting income	79,012	-	79,012	122,873	-	122,873
Other income	13,009	-	13,009	6,557	-	6,557
	<u>139,021</u>	<u>12,512,829</u>	<u>12,651,850</u>	<u>4,479,430</u>	<u>11,967,552</u>	<u>16,446,982</u>
Net assets released from restrictions						
Satisfaction of program restrictions	<u>13,253,321</u>	<u>(13,253,321)</u>	<u>-</u>	<u>10,476,425</u>	<u>(10,476,425)</u>	<u>-</u>
Total Revenue and Support	<u>13,392,342</u>	<u>(740,492)</u>	<u>12,651,850</u>	<u>14,955,855</u>	<u>1,491,127</u>	<u>16,446,982</u>
Expenses						
Program Services						
Training and capacity building	3,429,678	-	3,429,678	4,031,227	-	4,031,227
Research	1,746,237	-	1,746,237	2,075,378	-	2,075,378
Monitoring	794,231	-	794,231	781,924	-	781,924
Advocacy	1,518,925	-	1,518,925	1,525,323	-	1,525,323
Technical assistance	1,368,342	-	1,368,342	1,674,728	-	1,674,728
Total Program Services	<u>8,857,413</u>	<u>-</u>	<u>8,857,413</u>	<u>10,088,580</u>	<u>-</u>	<u>10,088,580</u>
Supporting Services						
Administration	3,880,177	-	3,880,177	5,722,230	-	5,722,230
Fundraising	433,867	-	433,867	465,717	-	465,717
Total Supporting Services	<u>4,314,044</u>	<u>-</u>	<u>4,314,044</u>	<u>6,187,947</u>	<u>-</u>	<u>6,187,947</u>
Total Expenses	<u>13,171,457</u>	<u>-</u>	<u>13,171,457</u>	<u>16,276,527</u>	<u>-</u>	<u>16,276,527</u>
Increase (Decrease) in Net Assets Before Item Below	220,885	(740,492)	(519,607)	(1,320,672)	1,491,127	170,455
Foreign currency translation adjustment (Note 10)	<u>(13,720)</u>	<u>-</u>	<u>(13,720)</u>	<u>(8,599)</u>	<u>-</u>	<u>(8,599)</u>
Increase (decrease) in net assets	207,165	(740,492)	(533,327)	(1,329,271)	1,491,127	161,856
Net assets, beginning of year	<u>3,071,079</u>	<u>5,278,793</u>	<u>8,349,872</u>	<u>4,400,350</u>	<u>3,787,666</u>	<u>8,188,016</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,278,244</u>	<u>\$ 4,538,301</u>	<u>\$ 7,816,545</u>	<u>\$ 3,071,079</u>	<u>\$ 5,278,793</u>	<u>\$ 8,349,872</u>

See notes to consolidated financial statements.

## NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services						Supporting Services			Total Expenses
	Training and Capacity Building	Research	Monitoring	Advocacy	Technical Assistance	Total	Administration	Fundraising	Total	
Salaries, payroll taxes and fringe benefits, including third party reimbursements	\$ 908,668	\$ 684,559	\$ 426,249	\$ 918,591	\$ 717,618	\$ 3,655,685	\$ 2,353,085	\$ 346,991	\$2,700,076	\$ 6,355,761
Temporary help	-	-	-	-	-	-	55,980	-	55,980	55,980
Grants	259,654	132,426	32,451	113,446	30,500	568,477	-	-	-	568,477
Consultant fees and related expenses	1,141,954	551,767	218,054	136,434	320,383	2,368,592	506,912	817	507,729	2,876,321
Travel, meals and lodging	350,161	79,975	12,684	80,994	106,351	630,165	67,327	10,715	78,042	708,207
Conferences and meetings	329,508	26,652	333	12,396	7,846	376,735	14,141	123	14,264	390,999
Office expenses	88,749	62,920	12,580	23,966	20,906	209,121	43,510	9,110	52,620	261,741
Software support	9,604	37,370	2,327	9,588	21	58,910	39,997	-	39,997	98,907
Printing and publications	17,698	19,288	923	26,588	5,232	69,729	3,821	-	3,821	73,550
Postage, shipping and delivery	2,340	-	-	8	444	2,792	3,316	-	3,316	6,108
Occupancy	136,028	95,882	56,624	125,155	100,797	514,486	324,053	46,840	370,893	885,379
Maintenance	5,207	3,671	2,168	4,792	3,859	19,697	12,407	1,793	14,200	33,897
Subscriptions and memberships	55,444	5,198	2,395	5,293	5,533	73,863	13,705	1,981	15,686	89,549
Legal and accounting	-	-	-	-	-	-	245,219	-	245,219	245,219
Insurance	14,888	10,493	6,197	13,697	11,031	56,306	35,464	5,126	40,590	96,896
Recruiting	-	-	-	-	-	-	41,622	-	41,622	41,622
Miscellaneous	79,656	14,807	8,709	20,266	15,503	138,941	47,841	-	47,841	186,782
Total expenses before depreciation	3,399,559	1,725,008	781,694	1,491,214	1,346,024	8,743,499	3,808,400	423,496	4,231,896	12,975,395
Depreciation	30,119	21,229	12,537	27,711	22,318	113,914	71,777	10,371	82,148	196,062
Total Expenses	<u>\$ 3,429,678</u>	<u>\$1,746,237</u>	<u>\$ 794,231</u>	<u>\$1,518,925</u>	<u>\$1,368,342</u>	<u>\$ 8,857,413</u>	<u>\$ 3,880,177</u>	<u>\$ 433,867</u>	<u>\$4,314,044</u>	<u>\$13,171,457</u>

See notes to consolidated financial statements.

## NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARY

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			Total Expenses	
	Training and Capacity Building	Research	Monitoring	Advocacy	Technical Assistance	Total	Administration	Fundraising		Total
Salaries, payroll taxes and fringe benefits, including third party reimbursements	\$ 993,391	\$ 911,429	\$ 417,331	\$ 818,509	\$ 968,801	\$ 4,109,461	\$ 2,714,153	\$ 360,650	\$3,074,803	\$ 7,184,264
Temporary help	-	-	-	-	-	-	416,904	-	416,904	416,904
Grants	739,174	203,004	33,484	251,180	29,839	1,256,681	-	-	-	1,256,681
Consultant fees and related expenses	1,175,632	572,787	209,768	148,907	336,515	2,443,609	1,012,431	7,000	1,019,431	3,463,040
Travel, meals and lodging	187,587	92,012	16,415	82,326	80,065	458,405	433,557	16,074	449,631	908,036
Conferences and meetings	564,436	15,693	10,142	18,373	10,592	619,236	87,425	-	87,425	706,661
Office expenses	71,582	40,437	13,422	26,206	34,477	186,124	86,423	11,476	97,899	284,023
Software support	891	25,317	73	-	-	26,281	95,864	-	95,864	122,145
Printing and publications	21,039	29,272	12	17,416	6,487	74,226	9,506	954	10,460	84,686
Postage, shipping and delivery	7,826	361	-	2,387	86	10,660	647	41	688	11,348
Occupancy	141,492	126,353	56,250	111,177	144,640	579,912	369,720	49,094	418,814	998,726
Maintenance	5,290	4,724	2,103	4,157	5,408	21,682	13,822	1,835	15,657	37,339
Subscriptions and memberships	21,999	8,076	3,479	7,011	8,967	49,532	22,870	3,037	25,907	75,439
Legal and accounting	3,825	-	-	-	-	3,825	262,774	-	262,774	266,599
Insurance	13,977	12,482	5,557	10,983	14,288	57,287	36,522	4,850	41,372	98,659
Recruiting	-	3,096	163	-	-	3,259	40,883	-	40,883	44,142
Miscellaneous	52,230	2,780	1,458	2,446	3,020	61,934	38,247	-	38,247	100,181
Total expenses before depreciation	4,000,371	2,047,823	769,657	1,501,078	1,643,185	9,962,114	5,641,748	455,011	6,096,759	16,058,873
Depreciation	30,856	27,555	12,267	24,245	31,543	126,466	80,482	10,706	91,188	217,654
Total Expenses	<u>\$ 4,031,227</u>	<u>\$2,075,378</u>	<u>\$ 781,924</u>	<u>\$1,525,323</u>	<u>\$1,674,728</u>	<u>\$10,088,580</u>	<u>\$ 5,722,230</u>	<u>\$ 465,717</u>	<u>\$6,187,947</u>	<u>\$16,276,527</u>

See notes to consolidated financial statements.

**NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ (533,327)	\$ 161,856
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	196,062	217,654
(Increase) decrease in:		
Contributions receivable	950,758	(2,544,669)
Accounts receivable	82,870	(78,870)
Prepaid expenses	105,391	(34,063)
Other assets	(24,329)	(7,758)
Increase (decrease) in:		
Accrued expenses	89,974	(17,794)
Grants payable	(130,888)	(399,796)
Refundable grants	(79,625)	35,804
Deferred revenue	(10,115)	10,115
Deferred rent liability	(55,855)	(37,436)
Net Cash Provided (Used) By Operating Activities	590,916	(2,694,957)
 <b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	(15,454)	(49,209)
Net increase (decrease) in cash and cash equivalents	575,462	(2,744,166)
Cash and cash equivalents, beginning of year	4,577,436	7,321,602
 <b>Cash and Cash Equivalents, End of Year</b>	<b>\$5,152,898</b>	<b>\$4,577,436</b>

See notes to consolidated financial statements.



**NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organizations and Summary of Significant Accounting Policies****a - Organizations**

Natural Resource Governance Institute ("NRGI") was incorporated as a District of Columbia non-profit corporation on March 2, 2006.

NRGI engages in activities directed to the promotion of sustainable development, good governance and poverty reduction in natural resource-dependent countries through improvement of public finance transparency and accountability. Specifically, NRGI shall support efforts to increase the transparency, accountability and effectiveness of resource revenue management and public expenditures by conducting research; publishing reports; and building a body of literature on best practices; providing information, training and funding to organizations that monitor or seek to monitor government revenues and individuals and expenditures; and facilitating technical assistance to journalists, non-governmental organizations ("NGOs"), policy-makers and government officials.

Consistent with its mission, NRGI applies similar standards of transparency to its internal operations. NRGI is committed to maintaining best practices in financial reporting. Additional information regarding governance and internal controls is available on our IRS Form 990 (available for download on our website - <https://resourcegovernance.org/about-us/financial>).

NRGI receives general operating and project-based support from a diverse group of foundations, U.S. and foreign government development agencies and international financial institutions. Three of whom have been consistent supporters since NRGI's founding in 2006. During the year ended December 31, 2019, NRGI received 85% of its contributions from two foreign government agencies and two foundations. During the years ended December 31, 2018, NRGI received 74% of its contributions from one foundation and one foreign government agency, of which \$3.85 million was received from Open Society Foundations for 2019 operating support. A full list of NRGI's donors can be found on our website – (<https://resourcegovernance.org/about-us/financial>).

The Natural Resource Charter Limited (the "NRC"), NRGI Tanzania Limited and NRGI – Lebanon ("Lebanon") (together as NRGI) were formed with NRGI as their sole member. NRC is registered as a charity in the United Kingdom, formed as a policy institute to produce evidence-based approaches to apply in real-world contexts around the globe. Tanzania is a registered company in Tanzania and Lebanon is a registered charity in Lebanon. Both Tanzania and Lebanon were formed to further NRGI's mission.

**b - Principles of Consolidation**

The consolidated financial statements include the accounts of NRGI and its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

**NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organizations and Summary of Significant Accounting Policies (continued)****c - Cash and Cash Equivalents**

For purposes of the statement of cash flows, NRGI considers all unrestricted highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents.

**d - Contributions**

Contributions are recognized when the donor makes a promise to give to NRGI, that is, in substance, unconditional. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

**e - Property and Equipment**

Property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful life of the related asset.

**f - Grants Awarded**

Grants awarded are recognized as expenses in the period the award is made. Grants payable later than one year from the end of a fiscal year are discounted to present value using a discount rate of 3%. At December 31, 2019 and 2018, all grants are expected to be paid within one year.

**g - Revenue Recognition**

Revenue from consulting is recognized when the services takes place.

**h - Deferred Rent Liability**

NRGI records rent expense associated with its office leases in New York and the United Kingdom on a straight-line basis over the life of the leases (Note 7). The difference between the straight-line amount and the amount actually paid during the year is recorded as a liability and an expense in the accompanying financial statements.

**NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organizations and Summary of Significant Accounting Policies (continued)****i - Functional Allocation of Expenses**

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. NRGI's primary programming areas are categorized as Training and Capacity Building, Research, Monitoring, Advocacy and Technical Assistance. Accordingly, certain costs have been allocated among the programs and the supporting services benefited. Expenses are allocated directly to programs, where applicable, on a consistent basis. A substantial portion of NRGI's expenses are directly related to program activities. Certain other expenses are attributable to more than one program or supporting function, and require allocation on a reasonable basis. The expenses that are allocated include salaries, payroll taxes and benefits, which are allocated on the basis of estimates of employee time and effort, while office expense, occupancy, maintenance, subscriptions and membership, insurance and depreciation, which are allocated on salary percentages.

**j - Financial Statement Presentation**

The financial statements of NRGI have been prepared in accordance with U.S. generally accepting accounting principles, which require NRGI to report information regarding its financial position and activities according to the following net asset classifications:

**Net Assets Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of NRGI. These net assets may be used at the discretion of NRGI's management and the Board of Directors.

**Net Assets With Donor Restrictions**

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NRGI or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**k - Tax Status**

Natural Resource Governance Institute is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been designated as an organization which is not a private foundation.

**l - Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organizations and Summary of Significant Accounting Policies (continued)****m - Subsequent Events**

NRGI has evaluated subsequent events through April 21, 2020, the date that the financial statements are considered available to be issued.

**n - Recent Accounting Pronouncement**

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*." The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than 12 months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. NRGI is currently evaluating the impact of ASU 2016-02 on its financial statements.

**Note 2 - Information Regarding Liquidity and Availability**

NRGI operates with a balanced budget for each fiscal year based on the revenue expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year. NRGI considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and fundraising activities undertaken to support those services.

NRGI regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover 90 days of general expenditures.

**NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**Note 2 - Information Regarding Liquidity and Availability (continued)**

NRGI's financial assets as of December 31, 2019 and 2018, that are available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$5,152,898	\$4,577,436
Contributions receivable	3,668,800	4,619,558
Accounts receivable	<u>-</u>	<u>82,870</u>
Total Financial Assets	8,821,698	9,279,864
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions subject to expenditure for specific purposes or passage of time	(4,538,301)	(5,278,793)
Add: Net assets with donor restrictions expected to be met in less one year	<u>3,586,600</u>	<u>4,853,793</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$7,869,997</u>	<u>\$8,854,864</u>

**Note 3 - Concentration of Credit Risk**

Cash balances in the United States, which comprise the majority of the NRGI's cash balances, are maintained in one financial institution. The balance, at times, may exceed federally insured limits. NRGI also maintains bank accounts in the United Kingdom, Ghana, Peru, Indonesia, Lebanon, Tanzania and Myanmar. There is no loss insurance on these accounts. The balance of these accounts at December 31, 2019 and 2018 was approximately \$220,500 and \$345,000, respectively.

**Note 4 - Restrictions on Net Assets**

Net assets with donor restrictions at December 31 are restricted as follows:

	<u>2019</u>	<u>2018</u>
Future periods	\$3,126,954	\$4,699,000
Future programs	<u>1,411,347</u>	<u>579,793</u>
	<u>\$4,538,301</u>	<u>\$5,278,793</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

**Note 4 - Restrictions on Net Assets (continued)**

Future periods consist of contributions restricted by the donor for expenditure during a specified timeline. Future programs consist of contributions restricted by the donor for expenditure on specific programming objectives and/or deliverables.

**Note 5 - Contributions Receivable**

a - Contributions Receivable

Contributions receivable at December 31, 2019 and 2018 are due as follows:

	<u>2019</u>	<u>2018</u>
Due within one year	\$3,424,375	\$4,619,558
Due in one to three years	<u>259,520</u>	<u>-</u>
	3,683,895	4,619,558
Discount to present value	<u>(15,095)</u>	<u>-</u>
	<u>\$3,668,800</u>	<u>\$4,619,588</u>

Uncollectible contributions receivable are expected to be insignificant. Contributions receivable due in excess of one year are discounted to net present value using a rate of 3%.

b - Conditional Contributions

The following contributions are conditional, and therefore, are not reflected in these financial statements at December 31, 2019:

*UK Department for International Development ("DFID")*

Two-year grant, through March 31, 2021, in the amount of \$9,697,379, of which approximately \$5,996,000 is conditional upon expenditure and other requirements.

*The Norwegian Agency for Development Cooperation*

Three-year grant, through April 30, 2021, in the amount of \$2,519,208, of which approximately \$753,000 is conditional upon expenditure and other requirements.

*United States Department of State*

Two-year grant through December 31, 2020, in the amount of \$246,913, of which approximately \$207,000 is conditional upon expenditure and other requirements.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

**Note 5 - Contributions Receivable (continued)**

b - Conditional Contributions (continued)

*Deustche Gesellschaft fur Internationale Zusammenarbeit ("GIZ")*

Three multiyear grants through November 30, 2021, totaling \$1,054,735 of which approximately \$730,000 is conditional upon expenditure and other requirements.

*State Secretariat for Economic Affairs ("SECO")*

Three-year grant through February 28, 2022, in the amount of \$613,271, of which approximately \$413,000 is conditional upon expenditure and other requirements.

*Luminate*

Three-year grant through March 31, 2022, in the amount of \$2,300,000, of which approximately \$700,000 is conditional upon expenditure and other requirements.

*World Bank*

Two-year grant through June 30, 2021, in the amount of \$199,966, of which approximately \$140,000 is conditional upon expenditure and other requirements.

**Note 6 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Furniture and equipment	10 years	\$ 208,912	\$ 207,470
Computer equipment and software	5 years	791,276	781,998
Other office equipment	7 years	53,417	52,238
Website	5 years	313,322	309,767
Leasehold improvements	4-5 years	198,822	198,822
Other	10 years	<u>5,000</u>	<u>5,000</u>
		1,570,749	1,555,295
Less: Accumulated depreciation		<u>(1,366,229)</u>	<u>(1,170,167)</u>
		<u>\$ 204,520</u>	<u>\$ 385,128</u>

**NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**Note 7 - Commitments**

NRGI leases office space in New York for its main office and in Ghana, the United Kingdom, Lebanon, Peru, Myanmar, Indonesia, Mongolia and Tunisia for its branch offices. The leases provide for minimum annual payments as follows:

<u>Year Ending December 31,</u>	
2020	\$669,815
2021	471,346
Through March 15, 2022	54,170

Rent expense for the years ended December 31, 2019 and 2018 was \$738,824 and \$810,572, respectively.

In lieu of providing the landlord of its New York office space with cash as security deposit, a financial institution has extended NRGI a \$89,478 letter of credit with the landlord as the beneficiary.

**Note 8 - Grants Payable**

Grants payable as of December 31, 2019 and 2018 were all organizational grants due in one year.

**Note 9 - Retirement Plans**

a - NRGI established a defined contribution retirement plan (the "Plan") for all eligible employees working in the United States. NRGI may contribute up to 10% of compensation at its discretion for this Plan. In addition, NRGI contributes to retirement benefits for its eligible employees working at its foreign offices. Total contributions to the Plan and foreign benefits for the years ended December 31, 2019 and 2018 were \$457,543 and \$558,522, respectively.

b - A deferred compensation (Sec. 457(b)) plan is offered to NRGI's Chief Executive Officer (the "Executive"). The assets of this plan remain the property of NRGI until distributed to the Executive or his beneficiary at retirement or severance from employment. At December 31, 2019 and 2018, \$49,921 and \$25,622, respectively in deferred compensation are included in other assets and accrued expenses in the accompanying Consolidated Statements of Financial Position.



**NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**Note 10 - Foreign Currency Translation Adjustment**

NRGI provides U.S. dollars to fund its operations outside of the United States and its funding requirements are subject to fluctuations in currency exchange rates.

Assets and liabilities are translated at year-end exchange rates. The effect of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars is included in the Statement of Activities and net assets without donor restrictions. An analysis of the change in this cumulative translation adjustment follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$96,248	\$104,847
Translation adjustment for the year	<u>(13,720)</u>	<u>(8,599)</u>
Balance, End of Year	<u>\$82,528</u>	<u>\$ 96,248</u>

**Note 11 - Subsequent Event**

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus COVID-19 a global pandemic. In fulfillment of NRGI's duty of care and in line with international and local guidance, it suspended travel and some of its program activities. Management is currently evaluating the potential impact on NRGI's operations in direct coordination with its supporters and donors; however, its current financial assets are sufficient to support an appropriate and stable level of operations on an ongoing basis.