

**NATURAL RESOURCE GOVERNANCE INSTITUTE
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



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, 2018 and 2017, 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, 2018 and 2017, 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.

Lotz + Carr, LLP

New York, New York
July 2, 2019

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
Assets		
Cash and cash equivalents (Notes 1c and 3)	\$ 4,577,436	\$ 7,321,602
Contributions receivable (Notes 1d and 5a)		
Without donor restrictions	234,004	452,966
With donor restrictions	4,385,554	1,621,923
Accounts receivable	82,870	4,000
Prepaid expenses	447,923	413,860
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 6)	385,128	553,573
Other assets (Note 9b)	184,764	177,006
 Total Assets	 \$10,297,679	 \$10,544,930
 Liabilities and Net Assets		
Liabilities		
Accrued expenses (Note 9b)	\$ 1,421,032	\$ 1,438,826
Grants payable (Notes 1f and 8)	262,108	661,904
Refundable grants	79,625	43,821
Deferred revenue (Note 1g)	10,115	-
Deferred rent liability (Note 1h)	174,927	212,363
Total Liabilities	1,947,807	2,356,914
Commitments (Notes 7 and 9)		
Net Assets		
Without donor restrictions (Note 1j)	3,071,079	4,400,350
With donor restrictions (Notes 1j and 4)	5,278,793	3,787,666
Total Net Assets	8,349,872	8,188,016
 Total Liabilities and Net Assets	 \$10,297,679	 \$10,544,930

See notes to consolidated financial statements.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Revenue and Support						
Contributions (Note 1a)						
Non-governmental organizations and foundations	\$ 4,350,000	\$ 6,150,000	\$10,500,000	\$ 4,300,000	\$ 6,270,818	\$10,570,818
United States governmental development agencies	-	248,707	248,707	-	415,620	415,620
Foreign governmental development agencies	-	5,568,845	5,568,845	-	5,770,144	5,770,144
Consulting income	122,873	-	122,873	144,503	-	144,503
Other income	6,557	-	6,557	5,676	-	5,676
	<u>4,479,430</u>	<u>11,967,552</u>	<u>16,446,982</u>	<u>4,450,179</u>	<u>12,456,582</u>	<u>16,906,761</u>
Net assets released from restrictions						
Satisfaction of program restrictions	<u>10,476,425</u>	<u>(10,476,425)</u>	<u>-</u>	<u>12,712,952</u>	<u>(12,712,952)</u>	<u>-</u>
Total Revenue and Support	<u>14,955,855</u>	<u>1,491,127</u>	<u>16,446,982</u>	<u>17,163,131</u>	<u>(256,370)</u>	<u>16,906,761</u>
Expenses						
Program Services						
Training and capacity building	4,031,227	-	4,031,227	4,580,537	-	4,580,537
Research	2,075,378	-	2,075,378	2,731,187	-	2,731,187
Monitoring	781,924	-	781,924	1,205,833	-	1,205,833
Advocacy	1,525,323	-	1,525,323	1,904,781	-	1,904,781
Technical assistance	1,674,728	-	1,674,728	1,990,217	-	1,990,217
Total Program Services	<u>10,088,580</u>	<u>-</u>	<u>10,088,580</u>	<u>12,412,555</u>	<u>-</u>	<u>12,412,555</u>
Supporting Services						
Administration	5,722,230	-	5,722,230	5,220,212	-	5,220,212
Fundraising	465,717	-	465,717	717,549	-	717,549
Total Supporting Services	<u>6,187,947</u>	<u>-</u>	<u>6,187,947</u>	<u>5,937,761</u>	<u>-</u>	<u>5,937,761</u>
Total Expenses	<u>16,276,527</u>	<u>-</u>	<u>16,276,527</u>	<u>18,350,316</u>	<u>-</u>	<u>18,350,316</u>
Increase (Decrease) in Net Assets Before Item Below	(1,320,672)	1,491,127	170,455	(1,187,185)	(256,370)	(1,443,555)
Foreign currency translation adjustment (Note 10)	<u>(8,599)</u>	<u>-</u>	<u>(8,599)</u>	<u>(2,744)</u>	<u>-</u>	<u>(2,744)</u>
Increase (decrease) in net assets	(1,329,271)	1,491,127	161,856	(1,189,929)	(256,370)	(1,446,299)
Net assets, beginning of year	<u>4,400,350</u>	<u>3,787,666</u>	<u>8,188,016</u>	<u>5,590,279</u>	<u>4,044,036</u>	<u>9,634,315</u>
Net Assets, End 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>

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 SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	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	\$ 841,214	\$ 873,028	\$ 596,605	\$ 777,736	\$ 928,347	\$ 4,016,930	\$ 1,941,552	\$ 492,541	\$2,434,093	\$ 6,451,023
Temporary help	-	1,412	57,893	28,627	86,520	174,452	409,775	-	409,775	584,227
Grants	813,550	386,050	57,849	366,577	151,588	1,775,614	-	-	-	1,775,614
Consultant fees and related expenses	1,212,489	871,928	276,195	313,402	416,461	3,090,475	1,195,312	17,350	1,212,662	4,303,137
Travel, meals and lodging	401,608	114,428	13,409	104,561	87,063	721,069	449,554	51,325	500,879	1,221,948
Conferences and meetings	996,633	54,154	5,426	39,417	1,616	1,097,246	145,548	-	145,548	1,242,794
Office expenses	30,984	49,266	19,489	26,679	31,106	157,524	110,410	16,811	127,221	284,745
Software support	1,377	74,864	-	-	26	76,267	96,951	16	96,967	173,234
Printing and publications	25,365	47,030	98	24,989	7,898	105,380	38,732	-	38,732	144,112
Postage, shipping and delivery	2,096	5,244	105	572	35	8,052	9,933	-	9,933	17,985
Occupancy	144,430	145,148	102,938	127,765	160,570	680,851	106,662	80,346	187,008	867,859
Maintenance	4,561	4,584	3,251	4,035	5,071	21,502	9,967	2,538	12,505	34,007
Subscriptions and memberships	11,169	10,063	6,987	8,697	10,991	47,907	21,421	5,470	26,891	74,798
Legal and accounting	47,706	47,943	34,001	42,202	53,039	224,891	124,240	26,539	150,779	375,670
Insurance	10,537	10,589	7,510	9,321	11,715	49,672	23,022	5,862	28,884	78,556
Recruiting	2,366	1,048	-	-	-	3,414	220,120	-	220,120	223,534
Miscellaneous	746	535	54	384	697	2,416	243,365	-	243,365	245,781
Total expenses before depreciation	4,546,831	2,697,314	1,181,810	1,874,964	1,952,743	12,253,662	5,146,564	698,798	5,845,362	18,099,024
Depreciation	33,706	33,873	24,023	29,817	37,474	158,893	73,648	18,751	92,399	251,292
Total Expenses	<u>\$ 4,580,537</u>	<u>\$2,731,187</u>	<u>\$1,205,833</u>	<u>\$1,904,781</u>	<u>\$1,990,217</u>	<u>\$12,412,555</u>	<u>\$ 5,220,212</u>	<u>\$ 717,549</u>	<u>\$5,937,761</u>	<u>\$18,350,316</u>

See notes to consolidated financial statements.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 161,856	\$(1,446,299)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	217,654	251,292
(Increase) decrease in:		
Contributions receivable	(2,544,669)	(1,612,553)
Accounts receivable	(78,870)	121,849
Prepaid expenses	(34,063)	24,469
Other assets	(7,758)	15,149
Increase (decrease) in:		
Accrued expenses	(17,794)	(63,526)
Grants payable	(399,796)	54,259
Refundable grants	35,804	43,821
Deferred revenue	10,115	-
Deferred rent liability	(37,436)	93,996
Net Cash Used By Operating Activities	(2,694,957)	(2,517,543)
 Cash Flows From Investing Activities		
Acquisition of property and equipment	(49,209)	(14,624)
Net decrease in cash and cash equivalents	(2,744,166)	(2,532,167)
Cash and cash equivalents, beginning of year	7,321,602	9,853,769
 Cash and Cash Equivalents, End of Year	\$ 4,577,436	\$ 7,321,602

See notes to consolidated financial statements.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****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).

NRGI has three core donors that have been providing continuous and consistent institutional support since 2006. In addition, NRGI receives project-based support from a diverse group of foundations, U.S. and foreign government development agencies and international financial institutions. During the years ended December 31, 2018 and 2017, NRGI received 74% and 70%, respectively, of its contributions from one foundation and one foreign government agency. A full list of NRGI's donors can be found on our website.

The Natural Resource Charter Limited (the "NRC"), NRGI TZ Limited (the "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. Limited is a registered company in Tanzania and Lebanon is a registered charity in Lebanon. Both Limited 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, 2018 AND 2017****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. Unconditional promises to give 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, 2018 and 2017, 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, 2018 AND 2017****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, 2018 AND 2017****Note 1 - Organizations and Summary of Significant Accounting Policies (continued)****m - Prior Year Information**

For comparability purposes, certain 2017 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2018.

n - Subsequent Events

NRGI has evaluated subsequent events through July 2, 2019, the date that the financial statements are considered available to be issued.

o - Recent Accounting Pronouncements

NRGI adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions;” (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; (d) modifying the presentation of underwater endowment funds and related disclosures; and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, NRGI opted to not disclose liquidity and availability information for 2017.

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, 2019. 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.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2 - Information Regarding Liquidity and Availability (continued)

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.

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

Financial Assets at Year-End:	
Cash and cash equivalents	\$4,577,436
Contributions receivable	4,619,558
Accounts receivable	<u>82,870</u>
Total Financial Assets	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	(5,278,793)
Add: Net assets with donor restrictions expected to be met in Less one year	<u>4,853,793</u>
Financial Assets Available to Meet General Expenditures Within One Year	<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, 2018 and 2017 was approximately \$345,000 and \$205,000, respectively.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 4 - Restrictions on Net Assets

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

	<u>2018</u>	<u>2017</u>
Future periods	\$4,699,000	\$2,083,141
Future programs	<u>579,793</u>	<u>1,704,525</u>
	<u>\$5,278,793</u>	<u>\$3,787,666</u>

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, 2018 and 2017 are due within one year. Uncollectible contributions receivable are expected to be insignificant.

b - Conditional Contributions

The following contributions are conditional, and therefore, are not reflected in these financial statements at December 31, 2018:

UK Department for International Development ("DFID")

Five-year grant, through June 30, 2019, in the amount of \$21,832,452, of which approximately \$1,006,000 is conditional upon expenditure and other requirements.

Swiss Development Cooperation Division of Analysis and Policy

Five-year grant, through March 31, 2019, in the amount of \$1,622,040, of which approximately \$138,000 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 \$1,941,000 is conditional upon expenditure and other requirements.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Furniture and equipment	10 years	\$ 207,470	\$ 180,144
Computer equipment and software	5 years	781,998	764,567
Other office equipment	7 years	52,238	52,238
Website	5 years	309,767	309,767
Leasehold improvements	4-5 years	198,822	198,822
Other	10 years	<u>5,000</u>	<u>5,000</u>
		1,555,295	1,510,538
Less: Accumulated depreciation		<u>(1,170,167)</u>	<u>(956,965)</u>
		<u>\$ 385,128</u>	<u>\$ 553,573</u>

Note 7 - Commitments

NRGI leases office space in New York for its main office and in Washington D.C., 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>	
2019	\$629,671
2020	540,916
2021	421,662
Through March 15, 2022	44,384

Rent expense for the years ended December 31, 2018 and 2017 was \$810,572 and \$696,982, 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.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 8 - Grants Payable

Grants payable as of December 31, 2018 and 2017 were all organizational grants due in one year.

NRGI discloses all grant recipients, the descriptions of its grant programs and the amounts of each grant online. For detailed information on NRGI's complete grants portfolio, please refer to our website at: <http://www.resourcegovernance.org/grants>.

Note 9 - Retirement Plans

a - NRGI established a defined contribution retirement plan (the "Plan") for all eligible employees. NRGI may contribute up to 10% of compensation at its discretion. Total contributions to the Plan for the years ended December 31, 2018 and 2017 was \$558,522 and \$418,339, 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, 2018, \$25,622 in deferred compensation is included in other assets and accrued expenses in the accompanying Statement of Financial Position.

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>2018</u>	<u>2017</u>
Balance, beginning of year	\$104,847	\$107,591
Translation adjustment for the year	<u>(8,599)</u>	<u>(2,744)</u>
Balance, End of Year	<u>\$ 96,248</u>	<u>\$104,847</u>