

Consolidated Financial Statements and
Independent Auditor's Report and Reports in
Compliance with OMB Circular A-133

World Resources Institute and Subsidiary

September 30, 2007 and 2006

World Resources Institute and Subsidiary

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Report of Independent Certified Public Accountants

Board of Directors
World Resources Institute and Subsidiary

We have audited the accompanying consolidated statements of financial position of the World Resources Institute and Subsidiary (the Institute) as of September 30, 2007 and 2006, and the related consolidated statements of activities, and changes in net assets, and consolidated cash flows for the years then ended. These consolidated financial statements are the responsibility of the Institute's management. 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 as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Institute as of September 30, 2007 and 2006, and the consolidated changes in its net assets and consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated _____, 2007, on our consideration of the Institute's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. The accompanying supplemental schedules on pages 19-35 are also presented for purposes of additional analysis, and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic consolidated financial statements taken as a whole.

McLean, Virginia
_____, 2007

World Resources Institute and Subsidiary

Consolidated Statements of Financial Position

<i>Year ended September 30,</i>	2007	2006
Assets		
Cash and cash equivalents	\$ 1,814,323	\$ 629,200
Cash restricted—held for others	1,519,928	1,352,133
Total cash and cash equivalents	3,334,251	1,981,333
Grants, pledges and contracts receivable, net of allowance for doubtful accounts of \$178,597 and \$152,891 for 2007 and 2006, respectively (Note C)	14,338,667	12,352,349
Investments (Note B)	46,801,093	39,769,959
Other assets	992,683	693,749
Furniture, fixtures, and equipment, net (Note D)	789,316	516,761
Total Assets	66,256,010	55,314,151
Liabilities and Net Assets		
Liabilities		
Accounts payable	2,101,421	1,001,834
Accrued salaries and benefits	519,081	494,130
Obligation under capital leases (Note E)	110,679	104,526
Deferred rent	294,077	274,343
Deferred revenue	175,062	106,768
Funds held for others	1,519,928	1,353,987
Total Liabilities	4,720,248	3,335,588
Net Assets		
Unrestricted:		
Operating	111,630	111,630
Designated—working capital reserve	3,134,977	2,602,839
Designated—other	16,325,029	11,061,649
	19,571,636	13,776,118
Temporarily restricted	16,614,126	13,102,445
Permanently restricted	25,350,000	25,100,000
Total Net Assets	61,535,762	51,978,563
Total Liabilities and Net Assets	\$ 66,256,010	\$ 55,314,151

The accompanying notes are an integral part of these statements.

World Resources Institute and Subsidiary

Consolidated Statements of Activities—Continued

Year ended September 30, 2007

	Unrestricted Operating	Designated	Total	Temporarily Restricted	Permanently Restricted	Total
Revenues						
Grants/contributions and contracts	\$ 11,856,687	\$ —	\$ 11,856,687	\$ 8,879,759	\$ 250,000	\$ 20,986,446
Federal grants and cooperative agreements	4,237,342	—	4,237,342	—	—	4,237,342
Investment return, net (Note B)	153,450	7,781,138	7,934,588	—	—	7,934,588
Support from endowment income	1,985,620	(1,985,620)	—	—	—	—
Publications	18,102	—	18,102	—	—	18,102
Other	8,203	—	8,203	—	—	8,203
Net assets released from program restrictions	5,368,078	—	5,368,078	(5,368,078)	—	—
Total Revenue	23,627,482	5,795,518	29,423,000	3,511,681	250,000	33,184,681
Expenses						
Policy research, technical support, and communications programs	18,832,037	—	18,832,037	—	—	18,832,037
Administration	2,598,194	—	2,598,194	—	—	2,598,194
Development	2,197,251	—	2,197,251	—	—	2,197,251
Total Expenses	23,627,482	—	23,627,482	—	—	23,627,482
Change in Net Assets	—	5,795,518	5,795,518	3,511,681	250,000	9,557,199
Net Assets, beginning of year	111,630	13,664,488	13,776,118	13,102,445	25,100,000	51,978,563
Net Assets, end of year	\$ 111,630	\$ 19,460,006	\$ 19,571,636	\$ 16,614,126	\$ 25,350,000	\$ 61,535,762

The accompanying notes are an integral part of this statement.

World Resources Institute and Subsidiary

Consolidated Statements of Activities and Changes in Net Assets

Year ended September 30, 2006

	Unrestricted				Total	Temporarily Restricted	Permanently Restricted	Total
	Operating	Designated	Total					
Revenues								
Grants/contributions and contracts	\$ 6,563,251	\$ —	\$ 6,563,251	\$ 11,219,489	\$ —	\$ 17,782,740		
Federal grants and cooperative agreements	5,290,187	—	5,290,187	—	—	5,290,187		
Investment return, net (Note B)	56,712	3,266,799	3,323,511	—	—	3,323,511		
Support from endowment income	1,826,114	(1,826,114)	—	—	—	—		
Publications	38,487	—	38,487	—	—	38,487		
Other	58,782	—	58,782	—	—	58,782		
Net assets released from program restrictions	7,165,794	—	7,165,794	(7,165,794)	—	—		
Total Revenue	20,999,327	1,440,685	22,440,012	4,053,695	—	26,493,707		
Expenses								
Policy research, technical support, and communications programs	17,076,707	—	17,076,707	—	—	17,076,707		
Administration	2,337,611	—	2,337,611	—	—	2,337,611		
Development	1,585,009	—	1,585,009	—	—	1,585,009		
Total Expenses	20,999,327	—	20,999,327	—	—	20,999,327		
Change in Net Assets	—	1,440,685	1,440,685	4,053,695	—	5,494,380		
Net Assets, beginning of year	111,630	12,223,803	12,335,433	9,048,750	25,100,000	46,484,183		
Net Assets, end of year	\$ 111,630	\$ 13,664,488	\$ 13,776,118	\$ 13,102,445	\$ 25,100,000	\$ 51,978,563		

The accompanying notes are an integral part of this statement.

World Resources Institute and Subsidiary

Consolidated Statements of Cash Flows

<i>Year ended September 30,</i>	2007	2006
Change in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Change in net assets	\$ 9,557,199	\$ 5,494,380
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	297,605	272,837
Bad debt expense	50,000	(8,804)
Loss from disposal of equipment	768	39,015
Realized gain from sale of investments	(2,177,073)	(1,852,461)
Unrealized gain on investments	(5,554,214)	(1,386,700)
Changes in operating assets and liabilities:		
Cash restricted - held for others	(167,795)	(47,580)
Grants and contracts receivable	(2,036,318)	(5,637,547)
Other assets	(298,934)	(299,382)
Accounts payable	1,099,587	(160,016)
Accrued salaries and benefits	24,951	74,132
Funds held for others	165,941	47,580
Deferred rent	19,734	240,549
Deferred revenue	68,294	(719,558)
Contributions restricted for the endowment fund	(250,000)	—
Net Cash Provided by (Used in) Operating Activities	799,745	(3,943,555)
Cash Flows from Investing Activities		
Proceeds from sales of investments	8,363,380	14,506,768
Purchase of investments	(7,663,227)	(11,534,137)
Purchase of furniture, fixtures, and equipment	(570,928)	(284,117)
Net Cash Provided by Investing Activities	129,225	2,688,514
Cash Flows from Financing Activities		
Borrowings (Payments) on capital lease obligations	6,153	38,603
Proceeds from contributions restricted for the endowment fund	250,000	—
Net Cash Provided by Financing Activities	256,153	38,603
Net Increase (Decrease) in Cash and Cash Equivalents	1,185,123	(1,216,438)
Cash and Cash Equivalents, beginning of year	629,200	1,845,638
Cash and Cash Equivalents, end of year	\$ 1,814,323	\$ 629,200
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 6,308	\$ 10,354

The accompanying notes are an integral part of these statements.

World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements

September 30, 2007 and 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Principles of Consolidation

World Resources Institute (the Institute) is an independent research and policy institute founded in 1982 to help governments, environmental and development organizations, and private businesses address a fundamental question as to how societies can meet basic human needs and nurture economic growth without undermining the natural resource base and environmental integrity.

The Institute's work is carried out by an approximately 140-member interdisciplinary staff, strong in sciences and economics, and augmented by a network of advisors, collaborators, international fellows, and cooperating institutes in more than 50 countries. The Institute currently focuses on four goals: (1) Access, (2) Ecosystems & People, (3) Climate, and (4) Markets & Enterprises.

The Internal Revenue Service (IRS) has classified the Institute as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), as a publicly supported not-for-profit organization.

The World Resources Institute Fund (WRIF) is a not-for-profit organization created in 1986 as a supporting organization to the Institute, and is included in these consolidated financial statements. Prior to fiscal year 2002, and after 2003, WRIF had no activities. In 2002 and 2003, WRIF activities included the operation of a capital campaign. Such activities have been shifted to the Institute since. WRIF is currently used to record investment activities for the African Centre for Technology Studies (ACTS) endowment (see note H). The IRS has classified WRIF as exempt from federal income taxes under Section 501(c)(3) of the IRC. WRIF is an entity described under Section 509(a)(3) of the IRC and, therefore, not a private foundation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

Activities of the Institute are recorded in the following net asset categories:

Operating—Unrestricted revenues and operating expenses of the Institute. Current investment earnings are available to support current operations.

Designated—Working Capital Reserve—Amounts designated by the Board of Directors of the Institute to be maintained as part of a reserve and used to support certain specific future activities as defined by the Board of Directors.

Designated—Other—Amounts designated by the Board of Directors to be used in a manner similar to an endowment.

World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

September 30, 2007 and 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Classification of Net Assets—Continued

Temporarily Restricted—Contributions restricted, as to time or purpose, by the donor. When the purpose or time period restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted—Funds that are restricted by donors requiring that the principal be invested in perpetuity. The earnings on these funds are unrestricted and are used for operations in accordance with a spending policy approved by the Board of Directors.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions are reported as increases in the appropriate category of net assets, except for the contributions that impose restrictions that are met in the same fiscal year they are received, which are included in unrestricted revenues.

Income from grants and contracts is currently recorded as unrestricted revenue when the costs are incurred. Amounts received that have not been expended are recorded as deferred revenue. The amount of expenses incurred in excess of funds received is included in grants and contracts receivable.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Institute considers all highly liquid investment instruments purchased with an initial maturity of three months or less to be cash equivalents.

The Institute has cash in foreign accounts totaling \$504,903 and \$16,563 in 2007 and 2006, respectively.

Investments

The Institute records its investments at fair market value based on quoted market prices, except for limited liability partnerships, which are recorded at estimated values.

Furniture, Fixtures and Equipment

Furniture, fixtures, and equipment are recorded at cost. Depreciation is recorded on the straight-line basis over estimated useful lives that range from three to five years. Leasehold improvements are amortized over the shorter of their useful lives or the lease term. Assets purchased under a capital lease are recorded as an asset and a corresponding obligation at the beginning of the lease term. The recorded amount is equal to the present value of the minimum lease payments. Leased assets are amortized over the shorter of their useful lives or the lease term. When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss arising from such disposition is included in the consolidated statement of activities.

The Institute has capitalized its collections. Collections consist of artwork that is held for public exhibition. Collections purchased are capitalized at cost, collections donated are capitalized at appraised value as of the date of the acceptance of the donation. Collections are not depreciated.

World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

September 30, 2007 and 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Costs Subject to Audit

The Institute's costs under its government grants and cooperative agreements are subject to audit by the awarding agencies. Management of the Institute does not believe that the results of such audits would have a material impact on the financial position and operating results of the Institute.

Use of 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 and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash is held at financial institutions in excess of federally insured amounts. At September 30, 2007 and 2006, \$1,892,841 and \$785,804 respectively, were held at these institutions. The Institute has not incurred any losses on these funds.

NOTE B—INVESTMENTS

Investments were as follows as of September 30:

	2007	2006
Short-term investments	\$ 663,170	\$ 426,775
Limited liability partnerships	30,632,967	18,052,667
Equities	15,504,956	21,290,517
Total	\$ 46,801,093	\$ 39,769,959

Investment return consists of the following for the years ended September 30:

	2007	2006
Realized gains	\$ 2,177,073	\$ 1,852,461
Unrealized gains	5,554,214	1,386,700
Dividends and interest	414,737	322,555
Investment management fees and foreign taxes	(211,436)	(238,205)
Total	\$ 7,934,588	\$ 3,323,511

World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

September 30, 2007 and 2006

NOTE C—GRANTS, PLEDGES, AND CONTRACTS RECEIVABLE

Grants, pledges and contracts receivable are recorded at their net realizable values. The mix of receivables as of September 30, was as follows:

	2007	2006
U.S. government	7%	8%
Foundations	11%	7%
Foreign governments	21%	12%
International organizations	1%	1%
Corporations, individuals, and others	60%	72%
	100%	100%

As of September 30, the Institute's receivables were due as follows:

	2007	2006
Less than one year	\$ 9,335,242	\$ 6,517,467
One to four years	5,612,505	6,649,611
Allowance for doubtful accounts	(178,597)	(152,891)
Unamortized discount on receivables	(430,483)	(661,837)
Grants, pledges, and contracts receivable, net	\$ 14,338,667	\$ 12,352,349

NOTE D—FURNITURE, FIXTURES, AND EQUIPMENT

Furniture, fixtures, and equipment consist of the following at September 30:

	2007	2006
Furniture and equipment	\$ 2,163,784	\$ 1,863,239
Leasehold improvements	947,362	805,059
Equipment under capital lease agreements	141,552	112,675
Artwork	8,825	8,825
	3,261,523	2,789,798
Less: accumulated depreciation and amortization	(2,472,207)	(2,273,037)
Furniture, fixtures, and equipment, net	\$ 789,316	\$ 516,761

World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

September 30, 2007 and 2006

NOTE E—OBLIGATIONS UNDER CAPITAL LEASES

The Institute is obligated under capital lease agreements for certain copy equipment. The aggregate discounted lease payments are recorded as a liability. Obligations under capital leases and the fair market values of the related leased assets are capitalized and amortized over the related lease periods. Total assets capitalized pursuant to such agreements, and the related accumulated amortization at September 30, were as follows:

	2007	2006
Equipment under capital lease	\$ 141,552	\$ 112,675
Less: accumulated amortization	(45,408)	(20,292)
Equipment under capital lease, net	\$ 96,144	\$ 92,383

The future minimum lease payments under the capital lease agreements and the present value of the minimum lease payments are as follows:

<i>September 30,</i>	
2008	\$ 34,492
2009	34,492
2010	34,492
2011	21,609
Thereafter	1,132
Total future minimum lease payments	126,217
Less: amount representing interest	(15,538)
Present value of minimum lease payments	\$ 110,679

Interest expense related to the capital leases was \$6,308 and \$4,696 respectively, for the years ended September 30, 2007 and 2006.

NOTE F—OFFICE LEASE COMMITMENTS AND RENT ABATEMENT

The Institute has entered into various operating lease agreements. During 2006, the Institute renegotiated and extended its current lease, under an agreement which expires in February 2019. As part of the office building lease, the Institute received two months of free rent. This rent abatement is being amortized on a straight-line basis over the life of the lease as a reduction of rent expense.

World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

September 30, 2007 and 2006

NOTE F—OFFICE LEASE COMMITMENTS AND RENT ABATEMENT—Continued

The future minimum lease payments as of September 30, 2007, are as follows:

September 30,

2008	\$ 1,921,716
2009	1,964,897
2010	2,009,015
2011	2,054,206
2012	2,100,413
Thereafter	14,446,440
Total	<u>\$ 24,496,687</u>

Rental expense for these leases was \$1,638,320 and \$1,569,798 for the years ended September 30, 2007 and 2006, respectively.

NOTE G—LOANS PAYABLE

During fiscal year 2006, the Institute obtained a margin loan of \$1,000,000 from Citigroup Smith Barney with an open maturity date. The interest rate on the line-of-credit was based on London Interbank Offered Rate (LIBOR) as published in The Wall Street Journal “Money Rates” table two business dates after the date the line-of-credit is requested. The assets held in four of the Institute’s investment accounts are collateral for this loan. The balance outstanding on this loan at September 30, 2007 was \$-0-.

NOTE H—FUNDS HELD FOR OTHERS

The Ford Foundation gave a grant (for endowment) of \$1,200,000 to ACTS (an unrelated organization) in Nairobi, Kenya. ACTS requested the Institute to hold the funds in an interest-bearing account until further notice, earning interest of \$220,099 as of September 30, 2007.

In addition, \$99,829 is being held for Millennium Ecosystem Assessment, Rockefeller Brothers/IUCN and Agreco as of September 30, 2007 as pass thru grants.

World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

September 30, 2007 and 2006

NOTE I—PERMANENTLY RESTRICTED NET ASSETS

In 1987, the MacArthur Foundation gave the Institute a challenge loan of \$12,516,000 with the understanding that it would forgive this loan to the extent that the Institute raised qualifying matching funds under a comprehensive development program. The purpose of the challenge loan was to facilitate the establishment of a permanent endowment for the Institute.

After the Institute successfully met the terms of the loan agreement, an endowment was formally established at the level of \$25 million (cost basis) on January 1, 1991, with earnings on the corpus expendable to support any activities of the Institute. The Institute's Board of Directors adopted a policy statement entitled *Endowment Fund: Purposes, Goals, and Policies*, which establishes spending rules for future withdrawals of earnings to cover portions of the Institute's annual operating budget while protecting the value of the endowment against inflation. Investment earnings from the endowment (net of investment expenses) are recognized as unrestricted designated revenue. During 2007 and 2006, \$960,340 and \$1,224,216, respectively, of these earnings were transferred from unrestricted designated to unrestricted operating net assets in accordance with the policy statement referred to above. The Board of Directors also authorized management to draw down an additional \$750,000 to cover development expenses in lieu of the Capital Campaign which ended in 2006 and \$265,280 to cover the CRM system at World Resources Report.

In 2003 and 2007, two individuals contributed \$100,000 and \$250,000 respectively for the purpose of creating endowment funds to enable the Institute to hire interns. Investment earnings from the endowment funds are recognized as unrestricted designated revenue and used to pay for interns. The Institute used \$5,000 each from the earnings of these endowments.

NOTE J—TEMPORARILY RESTRICTED NET ASSETS

As of September 30, temporarily restricted net assets are restricted for the following programs:

	2007	2006
Embarq	\$ 6,941,217	\$ 7,795,899
Climate, energy, and pollution	3,127,588	723,972
People & Ecosystems	2,233,023	1,228,864
Institutions and governance	1,348,636	1,219,318
Market & Enterprise	456,606	1,061,780
Special studies	1,488,315	1,072,612
Communication/World Resources Report	905,004	—
Development	113,736	—
Total	\$ 16,614,126	\$ 13,102,445

World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

September 30, 2007 and 2006

NOTE J—TEMPORARILY RESTRICTED NET ASSETS—Continued

Net assets released from restrictions by incurring expenses satisfying their restricted purposes during the years ended September 30, are as follows:

	2007	2006
Embarq	\$ 1,728,058	\$ 1,001,835
Climate, Energy, and Pollution	713,135	1,306,745
People & Ecosystems	998,888	980,987
Institutions and Governance	937,398	1,248,872
Market & Enterprise	665,375	994,625
Global Information	—	42,158
Special studies/Innovation	207,090	1,590,572
Development	6,000	—
Communication & World Resources Report	112,134	—
Total	\$ 5,368,078	\$ 7,165,794

NOTE K—SIGNIFICANT CONTRACTS

The Institute was awarded a four-year 6,000,000 euro grant on October 1, 2004, by the Netherlands Ministry of Foreign Affairs for core funding in response to their proposal *Leveraging Change at the Nexus of Poverty, Ecosystem and Governance*. WRI has received 4,125,000 euros (5,055,000 US dollars) as of September 30, 2007. A total of \$5,431,230.67 (US dollars) of this grant has been spent over the past 4 fiscal years ending September 30, 2007. The amounts received and spent for fiscal year 2007 were \$1,869,750 and \$1,951,919.45 (US dollars) respectively.

The Institute initiates and completes a substantial portion of its projects within the Institutions and Governance and Information Programs pursuant to a single cooperative agreement from the U.S. Agency for International Development. The revenue pursuant to this cooperative agreement was \$3,504,968 and \$4,406,116 for the years ended September 30, 2007 and 2006, respectively. Such revenue accounted for approximately 13.8 percent and 18 percent of total federal and non-federal grants, contributions, and cooperative agreement revenues during the years ended September 30, 2007 and 2006.

World Resources Institute and Subsidiary

Notes to Consolidated Financial Statements—Continued

September 30, 2007 and 2006

NOTE L—EMPLOYEE BENEFITS

The Institute contributes either 5 percent or 8 percent (based on years of service) of eligible employees' annual earnings, as defined in Plan agreements, to individually owned tax-deferred annuity contracts under a defined contribution annuity plan. The amount contributed to the Plan for the years ended September 30, 2007 and 2006, was \$603,225 and \$555,104, respectively.

NOTE M—PROGRAM EXPENSE

Expenses by program are as follows as of September 30:

	2007	2006
Institutions and governance	\$ 2,432,910	\$ 3,450,683
People & Ecosystems	4,699,966	4,443,154
Market & Enterprise	2,895,835	2,406,598
Embarq	3,279,532	1,748,850
Climate, energy, and pollution	3,389,294	2,677,697
Special studies/innovations	330,652	631,237
External relations	1,803,848	1,718,488
Total	<u>\$ 18,832,037</u>	<u>\$ 17,076,707</u>

Supplemental Information



World Resources Institute and Subsidiary

Supplemental Schedule of Expenditures of Federal Awards

Year ended September 30, 2007

Federal Grantor Program Title	Federal Contract Number	Federal CFDA Number	As of 9/30/07 2007 Expenses
U.S. Agency for International Development			
Forest Policy and Environmental Governance	AOT-A-00-00-00241-00	98	\$ 683,544
Governing Ecosystems	EEE-A-00-02-00056-00	98	567,065
Catalyzing Private Sector Invstmt to Alleviate Poverty	EPP-A-00-04-00041-00	98	215,000
Mrkt Initiatives/Adv Clean Energy & Sustn Grn Busn Dev in India	386-A-00-05-00199-00	98	626,210
Improved Governance & Sustainable Use of Forest Resources	623-A-00-06-00048-00	98	1,224,797
Global Climate Change Annual Program Statement	ESP-A-00-06-00005-00	98	83,902
Prepare "Africa: Atlas of Our Changing Environment"	Cr Card purch of srvc	98	25,000
Pass-through from United Nations Environment Programme	QGA-2312-5068-2612	98	22,838
Pass-through from Development Alternatives, Inc.	497-M-00-05-00043-00	98	491
Pass-through from Int'l Resources Group	EPP-I-00-03-00013-00	98	45,351
Pass-through from PACT, Inc.		98	10,770
Total for U.S. Agency for International Development			3,504,968 *
U.S. Environmental Protection Agency			
Combating Global Climate Change: Flexibility with Integrity	X-82924001-5	66.606	92,810
Dev. & Disseminate Grnhs Gas Measurement Reporting Tools	XA-83268701-0	66	100,000
Training Materials on Emissions Account/India & Mexico	EPO5W002960	66	7,295
Analysis of Trnsp Based Imprvmts in Air Quality in Mexico	EP06H00296	66	4,526
Dev of Custm Emissions Acctg tools for India & Mexico	EP05W002959	66	54,396
Development and Application of Infrastructure for a Model Trading Registry and Agricultural Participation – Kalamazoo River	WS96569601-0	66	58,215
Pass-through from Kansas State University	RD-83177401	66.509	948
Total for U.S. Environmental Protection Agency			318,190
U.S. Department of Agriculture			
Documenting & Updating the US Reg. Sector Mathematical Prgm model	43-3AEL-3-80079	10	13,978
Pass-through from PA Env. Council	NRCS 68-3A75-4-181	10	11,980
Pass-through from Iowa State University	NRCS 68-3A75-4-137	10	15,079
Support consultative processes in Indonesia	AG-3187-P-06-03005	10	15,000
Services for ten day tech. mission to Liberia	AG-3187-P-07-0015	10	11,367
Pass through from West Virginia University	68-3A75-6-185	10.912	38,167
			105,571
National Science Foundation			
Pass through from Iowa State University	CMS-0424700	47.041	135,594
Pass through from Cornell University	BCS-0508028	47.075	55,936
BE Sustainability, Winter 2006	BES-0637801	47.041	83,442
			274,972
U.S. Dept. of State			
Global Forest Watch Program in Indonesia	S-LMAQM-07-GR-327	19	33,641
Total Federal Expenditures			\$ 4,237,342

* Major Program

World Resources Institute and Subsidiary

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2007

NOTE A—BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all federal grants to the Institute that had expenditure activity during the year ended September 30, 2007. This Schedule has been prepared on the accrual basis of accounting for expenditures in accordance with accounting principles generally accepted in the United States of America. Grant revenues and expenditures are recorded for financial reporting purposes when the Institute has met the qualifications for the respective grants. Grant revenues are equivalent to grant expenditures. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations Receiving Federal Awards*.

NOTE B—SUBRECIPIENTS

Of the federal expenditures presented in this Schedule, the Institute provided federal awards to subrecipients totaling \$1,133,866.

NOTE C—CATALOG OF FEDERAL DOMESTIC ASSISTANCE

Catalog of Federal Domestic Assistance (CFDA) numbers are not assigned to the U.S. Agency for International Development grants and contracts. However, because of their similarities, we have considered all such contracts as one program for determination in applying OMB Circular A-133.

**Report of Independent Certified Public Accountants on
Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Directors
World Resources Institute and Subsidiary

We have audited the consolidated financial statements of World Resources Institute and Subsidiary (the Institute) as of and for the year ended September 30, 2007, and have issued our report thereon dated _____, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Institute's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Institute's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Institute's financial statements that is more than inconsequential will not be prevented or detected by the Institute's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to material weaknesses, as defined as above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors, Audit Committee, management, legislative or regulatory bodies and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

McLean, Virginia
_____, 2007

**Report of Independent Certified Public Accountants on
Compliance with Requirements Applicable to Each
Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133**

Board of Directors
World Resources Institute and Subsidiary

Compliance

We have audited the compliance of the World Resources Institute and Subsidiary (the Institute) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2007. The Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Institute's management. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Institute's compliance with those requirements, and performing such other procedures as we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Institute's compliance with those requirements.

In our opinion, the Institute complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

Internal Control over Compliance

The management of the Institute is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Institute's internal control over compliance with the types of compliance requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control over compliance.

A control deficiency in the Institute's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the Institute's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a major program that is more than inconsequential will be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Institute's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be a significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the Board of Directors, Audit Committee, management, legislative or regulatory bodies and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

McLean, Virginia
_____, 2007

World Resources Institute and Subsidiary

Schedule of Findings and Questioned Costs

Year ended September 30, 2007

Section I

Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting	
a. Material weaknesses identified?	None
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
c. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	None
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
2. Type of auditor's report issued on compliance for major programs:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No
4. Identification of major program:	
U.S. Agency for International Development	98.various
5. Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	Yes

Section II—Financial Statements Findings

(None reported)

World Resources Institute and Subsidiary

Schedule of Findings and Questioned Costs—Continued

Year ended September 30, 2007

Section III—Federal Award Findings and Questioned Costs

(None reported)

World Resources Institute and Subsidiary

Status of Prior Year Findings

Year ended September 30, 2006

Finding 06-01–Subrecipient Monitoring

Condition: We noted two instances where the signed mandatory standard provisions prepared by the Institute did not include in the grant requirements that the subrecipient should not be suspended or debarred by an U.S. Federal Department or Agency. In addition, we noted three instances where no federal contract number was provided.

Corrective Action/Status: We agree with the above recommendation and that procedures be established to ensure that, at the time of an award to a subrecipient, all award required information and requirements imposed by laws, regulations, and the provisions of the contract or grant are provided to the subrecipient.

Finding 06-02–Subrecipient Monitoring

Condition: Per review of the quarterly financial status reports, we noted four instances where the report was not approved by the Director of Grants Management.

Corrective Action/Status: The review of subgrant report is conducted by program staff first which will review the expenses against the budget as well as program progress. The second review is conducted by the Grants Coordinator which reviews the math for accuracy and logs the report in the subgrant tracking system. Once these reviews are conducted, the final review is performed by the Grants Director. Part of this review includes the review of the prior report against the current report to ensure that the cumulative numbers are accurate, so the report was reviewed; however, sign-off was overlooked. In the future, the Institute will ensure consistency with this procedure.

Finding 06-03–Subrecipient Monitoring

Condition: We noted two subrecipients where the financial status reports were not submitted on a quarterly basis as requested by the grant agreement.

Corrective Action/Status: The work under the cooperative agreement (Mrkt/Initiatives/Adv Clean Energy & Sustn Grn Busn Dwn India) with USAID was on hold until late February 2006. Once agreement was reached in which activities to initiate (i.e. the New Venture Program and hold on GHG Protocol), activities were initiated and reports were filed and received on a quarterly basis. The first payment to CII in this project was not sent to them until April 2006.

The working relationship under this sub agreement (United Nations Environment Programme) has been quite difficult from the outset. Not only was reporting not consistent, but there was a lot of difficulty getting deliverables on time. The Institute was able to get the final deliverables; however, it is very unlikely that the Institute will work with the partner again. Fortunately, the Institute as a whole has a very good record of strong partnerships.

Supplemental Schedules



World Resources Institute and Subsidiary

Schedule of Functional Expenses

Year ended September 30, 2007

	Climate, Energy and Pollution	People & Ecosystems	EMBARQ	Institutions and Governance	Markets and Enterprise	Special Studies/ Innovation	External Relations	Total Program Expenses	Administration	Development	Total Expenses
Salaries	\$ 1,460,503	\$ 1,630,396	\$ 857,242	\$ 848,748	\$ 942,607	\$ 112,683	\$ 759,070	\$ 6,611,249	\$ 1,346,666	\$ 923,838	\$ 8,881,753
Fringe Benefits	411,270	472,670	244,634	245,694	274,065	33,166	215,408	1,896,907	389,793	269,301	2,556,001
Research Expenses	201,447	390,901	371,285	121,413	179,293	40,277	257,255	1,561,871	46,150	17,896	1,625,917
Conference Expenses	38,228	45,631	59,346	58,818	33,586	4,436	11,677	251,722	21,986	246,972	520,680
Publication Expenses	146,458	263,594	19,443	66,057	109,730	34,338	157,596	797,216	16,935	91,859	906,010
Communication Expenses	13,398	2,057	61	134	19	36,570	8,930	61,169	174	60,583	121,926
Travel	215,865	243,341	233,965	85,539	146,682	316	28,631	954,339	100,814	118,240	1,173,393
Other Direct Costs	37,000	78,377	34,717	23,691	19,050	4,541	14,359	211,735	675,676	41,106	928,517
Subgrants	255,467	817,749	1,019,091	632,578	778,989	—	—	3,503,874	—	—	3,503,874
Rent	300,246	371,949	216,569	172,487	202,811	31,679	172,824	1,468,565	—	210,515	1,679,080
Library and information services	18,648	23,102	13,451	10,713	12,597	1,968	10,734	91,213	—	13,075	104,288
Indirect Salaries	94,492	117,057	68,157	54,284	63,828	9,970	54,390	462,178	—	66,252	528,430
Indirect Benefits	24,329	30,140	17,549	13,977	16,434	2,567	14,004	119,000	—	17,058	136,058
Subgrant Pool Salaries	14,264	17,670	10,289	8,194	9,635	1,505	8,210	69,767	—	10,001	79,768
Subgrant Pool Benefits	4,200	5,203	3,030	2,413	2,837	443	2,418	20,544	—	2,945	23,489
Supplies and materials	13,340	16,525	9,622	7,663	9,011	1,407	7,678	63,246	—	9,353	74,599
Telephone and cables	30,334	37,578	21,880	17,426	20,490	3,201	17,460	148,369	—	21,268	169,637
Equipment rental and maintenance	43,536	53,932	31,402	25,011	29,408	4,593	25,059	212,941	—	30,525	243,466
Other Indirect	13,052	16,169	9,414	7,498	8,816	1,377	7,513	63,839	—	9,152	72,991
Depreciation	53,217	65,925	38,585	30,572	35,947	5,615	30,632	260,293	—	37,312	297,605
Total Expenses	3,389,294	4,699,966	3,279,532	2,432,910	2,895,835	330,652	1,803,848	18,832,037	2,598,194	2,197,251	23,627,482
Allocation of administration costs	464,599	575,550	335,117	266,905	313,828	49,020	267,426	2,272,445	(2,598,194)	325,749	—
Total Expenses After G&A Allocations	\$ 3,853,893	\$ 5,275,516	\$ 3,614,649	\$ 2,699,815	\$ 3,209,663	\$ 379,672	\$ 2,071,274	\$ 21,104,482	\$ —	\$ 2,523,000	\$ 23,627,482

World Resources Institute and Subsidiary

Schedule of Functional Expenses

Year ended September 30, 2006

	Climate, Energy and Pollution	People & Ecosystems	Embargo	Institutions and Governance	Sustainable Enterprise	Special Studies/ Innovations	External Relations	Total Program Expenses	Administration	Development Including Capital Campaign	Total Expenses
Salaries	\$ 1,196,850	\$ 1,488,105	\$ 550,293	\$ 1,011,904	\$ 994,985	\$ 88,856	\$ 712,711	\$ 6,043,704	\$ 1,270,219	\$ 807,561	\$ 8,121,484
Fringe Benefits	353,104	443,334	161,289	302,856	282,385	26,907	206,405	1,776,280	381,558	242,977	2,400,815
Research Expenses	120,018	334,158	215,775	184,591	49,184	261,832	267,078	1,432,636	-4,086	29,490	1,466,212
Conference Expenses	26,837	43,095	33,090	146,164	11,771	12,082	11,198	284,237	19,383	4,256	307,876
Publication Expenses	206,156	148,186	9,487	81,433	99,336	52,651	86,740	683,989	5,829	43,677	733,495
Communication Expenses	—	—	273	—	10	19,060	27,321	46,664	—	43,221	89,885
Travel	149,552	242,609	119,673	174,535	142,399	14,132	39,123	882,043	83,180	78,545	1,043,768
Other Direct Costs	19,930	68,393	43,937	25,754	16,047	35,863	23,451	233,595	573,356	34,388	841,139
Subgrants	119,631	1,026,699	349,329	1,071,854	436,475	—	22,500	3,026,488	—	—	3,026,488
Rent	256,833	343,017	140,513	238,838	197,803	63,377	170,280	1,410,661	—	159,137	1,569,798
Library and Information Services	15,175	20,267	8,302	14,111	11,687	3,745	10,061	83,348	—	9,402	92,750
Indirect Salaries	70,519	94,183	38,581	65,578	54,311	17,402	46,754	387,328	—	43,692	431,020
Indirect Benefits	21,206	28,322	11,602	19,720	16,332	5,233	14,059	116,474	—	13,139	129,613
Subgrant Pool Salaries	11,666	15,581	6,383	10,849	8,985	2,879	7,735	64,078	—	7,229	71,307
Subgrant Pool Benefits	3,559	4,753	1,947	3,309	2,741	878	2,360	19,547	—	2,205	21,752
Supplies and Materials	11,337	15,142	6,203	10,543	8,732	2,798	7,313	62,268	—	7,025	69,293
Telephone and Cables	17,941	23,961	9,816	16,684	13,818	4,427	11,895	98,542	—	11,117	109,659
Equipment Rental and Maintenance	26,400	35,259	14,444	24,550	20,332	6,515	17,503	145,003	—	16,358	161,361
Other Indirect	6,344	8,472	3,471	5,899	4,886	1,565	4,206	34,843	—	3,931	38,774
Depreciation	44,639	59,618	24,422	41,511	34,379	11,015	29,595	245,179	—	27,659	272,838
Total Expenses	2,677,697	4,443,154	1,748,850	3,450,683	2,406,598	631,237	1,718,488	17,076,707	2,337,611	1,585,009	20,999,327
Allocation of administration costs	382,454	510,791	209,241	355,657	294,551	94,376	253,566	2,100,637	(2,337,611)	236,974	—
Total	\$ 3,060,151	\$ 4,953,945	\$ 1,958,091	\$ 3,806,340	\$ 2,701,149	\$ 725,613	\$ 1,972,054	\$ 19,177,344	\$ —	\$ 1,821,983	\$ 20,999,327

World Resources Institute and Subsidiary

Schedule of Indirect Cost Rate Calculation (Facility Costs)

Year ended September 30, 2007

Direct Expenses	Programs	Fundraising	Total Expenses
Salaries and Stipends	\$ 6,611,249	\$ 923,838	\$ 7,535,087
Fringe Benefits	1,896,907	269,301	2,166,208
Research & Conference Expenses	1,813,593	264,868	2,078,461
Publications Expenses	797,216	91,859	889,075
Communications Expenses	61,169	60,583	121,752
Travel	954,339	118,240	1,072,579
Misc. Costs	211,735	41,106	252,841
Subgrants	3,503,874	—	3,503,874
Total direct expenses	15,850,082	1,769,795	17,619,877
Less: Costs of institutional cooperative agreements/subgrants	(3,503,874)	—	(3,503,874)
Total Allowable Direct Expenses (Allocation Base)	\$ 12,346,208	\$ 1,769,795	\$ 14,116,003

Facility Costs	Total Facility Cost
Rent	\$ 1,679,080
Salaries	528,430
Fringe Benefits	136,058
Library and Information Services	104,288
Reproduction	3,434
Supplies and Materials	71,166
Telephone and Cables	169,637
Equipment Rental and Maintenance	243,466
Interest/Offsite storage/Misc. Exp.	72,991
Depreciation and Amortization	297,605
Total facility costs	3,306,155
Less: non-billable depreciation	(4,436)
Total Allowable Facility Costs	\$ 3,301,719

Calculation of Facility Cost Rate:

Total allowable facility costs/total allowable direct expenses (\$3,301,719/\$14,116,003) 23.39%

World Resources Institute and Subsidiary

Schedule of Fringe Benefit Rate Calculation

Year ended September 30, 2007

Fringe Benefits	Regular and Term Staff	Temporary Staff	Total Benefits
FICA	\$ 633,570	\$ 25,789	\$ 659,359
Group health	741,474	—	741,474
Retirement	603,225	—	603,225
Unemployment	23,374	3,686	27,060
Workers' compensation	30,920	630	31,550
Other	652,881	—	652,881
Total allocable costs	\$ 2,685,444	\$ 30,105	\$ 2,715,549

Regular and Term Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries	\$ 6,611,249	\$ 923,839	\$ 528,430	\$ 79,768	\$ 1,346,666	\$ 9,489,952
Less: excluded salaries expense*	(264,363)	(14,532)	(68,578)	—	(22,973)	(370,446)
Total allowable labor base	\$ 6,346,886	\$ 909,307	\$ 459,852	\$ 79,768	\$ 1,323,693	\$ 9,119,506

Calculation of fringe benefit for regular and term staff:

Total allocable costs/total allowable labor base
 (\$2,685,444/\$9,119,506) 29.45%

Temporary Staff Labor	Programs	Fundraising	Facility	Subgrant	Administration	Total Labor
Salaries and stipends	\$ 264,363	\$ 14,532	\$ 68,578	\$ —	\$ 22,973	\$ 370,446
Less: excluded salaries expense*	—	—	(62,470)	—	(22,961)	(85,431)
Total allowable labor base	\$ 264,363	\$ 14,532	\$ 6,108	\$ —	\$ 12	\$ 285,015

Calculation of fringe benefit for temporary staff:

Total allocable costs/total allowable labor base
 (\$30,105/\$285,015) 10.56%

*Excluded salary expenses are fellowship stipends, intern programs and outside temporary help. These expenditures are excluded because they do not have a relationship to fringe benefit costs.

World Resources Institute and Subsidiary

Schedule of Indirect Cost Rate Calculation (General and Administration)

Year ended September 30, 2007

	Programs	Fundraising	Total
Allowable total direct per page 31	\$ 12,346,208	\$ 1,769,795	\$ 14,116,003
Total allocation base for general and administrative	\$ 12,346,208	\$ 1,769,795	\$ 14,116,003
General and Administrative Expenses			
Salaries		\$	1,346,666
Benefits			389,793
Research Expenses			46,150
Conference Expenses			21,986
Publications Expenses			16,935
Communications Expenses			174
Travel			100,814
Professional Services			236,314
Memberships/Fees/Dues			26,802
Recruitment/Relocation			82,585
Staff Meals/Kitchen			19,770
Training & Career Development			139,228
Telephone			9,139
Postage			3,131
Reproduction			(4,609)
Miscellaneous			82,610
Non-billable unallowable			80,706
Total general and administrative expenses			2,598,194
Less: non-billable unallowable			(80,706) *
Total allowable general and administrative expenses		\$	2,517,488
Calculation of general and administrative rate:			
Total general and administrative/total allocation base for general and administrative (\$2,517,488/\$14,116,003)			17.83%

*Excluded unallowable expenses that are not chargeable to funders.

World Resources Institute and Subsidiary

Schedule of Indirect Cost Rate Calculation (Subgrant)

Year ended September 30, 2007

	Programs	Fundraising	Total
Total subgrant costs per page 31	\$ 3,503,874	\$ —	\$ 3,503,874
Total allocation base for general and administrative	\$ 3,503,874	\$ —	\$ 3,503,874
General and Administrative Expenses			
Salaries		\$ 79,768	
Benefits		23,490	
Total general and administrative expenses		\$ 103,258	
Calculation of subgrant rate:			
Total subgrant costs/total allocation base for general and administrative (\$103,258/\$3,503,874)			2.95%

World Resources Institute and Subsidiary

Note to Schedule of Indirect Cost and Fringe Benefit Rate Calculations

Year ended September 30, 2007

NOTE A—BASIS OF ACCOUNTING

The calculation of allocation rates is prepared in accordance with the methodologies used by the Institute in negotiating its indirect facility cost, fringe benefit, and general and administrative cost rates with its oversight agency, the U.S. Agency for International Development. Revenue is recorded using provisional approved rates. The difference between actual and provisional rates is not material to the financial statements as a whole.

Facility Cost Rate—represents total indirect costs less unallowable costs as a percentage of total direct costs, which includes fringe benefit costs, less all charges representing costs incurred pursuant to subcontract or subgrant agreements and unallowable costs.

Fringe Benefit Rate—represents the cost of total fringe benefit expenses as a percentage of total salary and wage charges that result in related fringe benefit expenses. Fringe benefit costs are included as a direct cost in the calculation of both the overhead, and the general and administrative cost rates.

General and Administrative Rate—represents all general and administrative expenses as a percentage of direct costs incurred, less charges representing costs incurred pursuant to subcontract or subgrant agreements.

Subgrant Pool Rate—represents subgrant-related salaries as a percentage of total subgrant costs.