

CONSOLIDATED FINANCIAL STATEMENTS

**NATURAL RESOURCE GOVERNANCE
INSTITUTE AND SUBSIDIARIES**

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Natural Resource Governance Institute and Subsidiaries
New York, New York

Opinion

We have audited the accompanying consolidated financial statements of Natural Resource Governance Institute and Subsidiaries (together, "NRGI"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NRGI as of December 31, 2022 and 2021, and the consolidated 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of NRGI and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NRGI's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NRG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NRG's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position and Consolidating Schedule of Activities and Change in Net Assets on pages 19 - 20 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



June 19, 2023

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,355,419	\$ 8,319,201
Grants and contributions receivable, net of present value discount	4,762,584	3,906,646
Other receivables	32,365	29,618
Prepaid expenses	591,145	372,247
Fixed assets, net	237,660	240,824
Right-of-use assets, net	1,079,997	-
Other assets	<u>245,113</u>	<u>234,537</u>
TOTAL ASSETS	<u>\$ 12,304,283</u>	<u>\$ 13,103,073</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 518,100	\$ 530,201
Grants payable	38,763	104,006
Refundable advances	1,763,671	1,814,250
Operating lease liabilities	1,184,861	-
Deferred rent	<u>-</u>	<u>18,541</u>
Total liabilities	<u>3,505,395</u>	<u>2,466,998</u>

NET ASSETS

Without donor restrictions	6,418,612	8,316,708
With donor restrictions	<u>2,380,276</u>	<u>2,319,367</u>
Total net assets	<u>8,798,888</u>	<u>10,636,075</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,304,283</u>	<u>\$ 13,103,073</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions:			
Non-Governmental organizations and foundations	\$ 838,308	\$ 5,185,108	\$ 6,023,416
U.S. Governmental development agencies	436,740	-	436,740
Foreign Governmental development agencies	3,636,211	-	3,636,211
International organizations	109,704	19,092	128,796
In-kind contributions	19,410	-	19,410
Other revenue	42,581	-	42,581
Net assets released from donor restrictions	<u>5,143,291</u>	<u>(5,143,291)</u>	<u>-</u>
Total revenue and support	<u>10,226,245</u>	<u>60,909</u>	<u>10,287,154</u>
EXPENSES			
Program Services	<u>7,530,409</u>	<u>-</u>	<u>7,530,409</u>
Supporting Services:			
Management and General	4,145,777	-	4,145,777
Fundraising	<u>364,082</u>	<u>-</u>	<u>364,082</u>
Total supporting services	<u>4,509,859</u>	<u>-</u>	<u>4,509,859</u>
Total expenses	<u>12,040,268</u>	<u>-</u>	<u>12,040,268</u>
Change in net assets before other item	(1,814,023)	60,909	(1,753,114)
OTHER ITEM			
Foreign currency translation adjustment	<u>(84,073)</u>	<u>-</u>	<u>(84,073)</u>
Change in net assets	(1,898,096)	60,909	(1,837,187)
Net assets at beginning of year	<u>8,316,708</u>	<u>2,319,367</u>	<u>10,636,075</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,418,612</u>	<u>\$ 2,380,276</u>	<u>\$ 8,798,888</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions:			
Non-Governmental organizations and foundations	\$ -	\$ 4,843,524	\$ 4,843,524
U.S. Governmental development agencies	151,409	-	151,409
Foreign Governmental development agencies	3,971,875	-	3,971,875
International organizations	-	146,541	146,541
In-kind contributions	23,440	-	23,440
Other revenue	10,781	-	10,781
Net assets released from donor restrictions	<u>7,909,738</u>	<u>(7,909,738)</u>	<u>-</u>
Total revenue and support	<u>12,067,243</u>	<u>(2,919,673)</u>	<u>9,147,570</u>
EXPENSES			
Program Services	<u>6,863,640</u>	<u>-</u>	<u>6,863,640</u>
Supporting Services:			
Management and General	4,141,616	-	4,141,616
Fundraising	<u>364,866</u>	<u>-</u>	<u>364,866</u>
Total supporting services	<u>4,506,482</u>	<u>-</u>	<u>4,506,482</u>
Total expenses	<u>11,370,122</u>	<u>-</u>	<u>11,370,122</u>
Change in net assets before other item	697,121	(2,919,673)	(2,222,552)
OTHER ITEM			
Foreign currency translation adjustment	<u>(11,278)</u>	<u>-</u>	<u>(11,278)</u>
Change in net assets	685,843	(2,919,673)	(2,233,830)
Net assets at beginning of year	<u>7,630,865</u>	<u>5,239,040</u>	<u>12,869,905</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,316,708</u>	<u>\$ 2,319,367</u>	<u>\$ 10,636,075</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and related benefits	\$ 4,481,869	\$ 1,722,944	\$ 321,143	\$ 2,044,087	\$ 6,525,956
Grants to other organizations	653,021	-	-	-	653,021
Consultants fees and related expenses	1,022,718	1,168,607	-	1,168,607	2,191,325
Travel, meals and lodging	299,087	125,614	4,634	130,248	429,335
Conference and meetings	539,130	18,696	-	18,696	557,826
Office expenses	60,888	214,346	1,739	216,085	276,973
Software support	303	6,623	-	6,623	6,926
Printing and publications	37,723	6,527	-	6,527	44,250
Postage, shipping and delivery	549	12,095	-	12,095	12,644
Occupancy	372,103	167,438	36,566	204,004	576,107
Maintenance	1,624	103,724	-	103,724	105,348
Subscriptions and memberships	11,424	28,007	-	28,007	39,431
Legal and accounting	442	354,264	-	354,264	354,706
Insurance	-	98,486	-	98,486	98,486
Recruiting	-	75,444	-	75,444	75,444
Miscellaneous	49,528	21,865	-	21,865	71,393
Total expenses before depreciation and amortization	7,530,409	4,124,680	364,082	4,488,762	12,019,171
Depreciation and amortization	-	21,097	-	21,097	21,097
TOTAL	\$ 7,530,409	\$ 4,145,777	\$ 364,082	\$ 4,509,859	\$ 12,040,268

See accompanying notes to consolidated financial statements.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and related benefits	\$ 2,753,710	\$ 2,459,465	\$ 303,864	\$ 2,763,329	\$ 5,517,039
Grants to other organizations	333,627	1,669	-	1,669	335,296
Consultants fees and related expenses	2,932,220	770,896	-	770,896	3,703,116
Travel, meals and lodging	9,485	7,896	-	7,896	17,381
Conference and meetings	227,974	10,023	-	10,023	237,997
Office expenses	96,806	88,726	6,699	95,425	192,231
Software support	938	4,487	-	4,487	5,425
Printing and publications	25,835	6,627	-	6,627	32,462
Postage, shipping and delivery	-	14,094	-	14,094	14,094
Occupancy	341,415	321,296	43,168	364,464	705,879
Maintenance	16,244	11,691	2,180	13,871	30,115
Subscriptions and memberships	32,538	17,784	1,985	19,769	52,307
Legal and accounting	-	200,429	-	200,429	200,429
Insurance	39,271	48,481	2,553	51,034	90,305
Recruiting	-	71,277	-	71,277	71,277
Miscellaneous	-	51,280	-	51,280	51,280
Total expenses before depreciation and amortization	6,810,063	4,086,121	360,449	4,446,570	11,256,633
Depreciation and amortization	53,577	55,495	4,417	59,912	113,489
TOTAL	\$ 6,863,640	\$ 4,141,616	\$ 364,866	\$ 4,506,482	\$ 11,370,122

See accompanying notes to consolidated financial statements.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,837,187)	\$ (2,233,830)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	21,097	113,489
Increase in discount on noncurrent receivables	48,500	-
Amortization of right-of-use assets	239,402	-
Loss on disposal of fixed assets	-	1,403
(Increase) decrease in:		
Grants and contributions receivable	(904,438)	2,332,924
Other receivables	(2,747)	(29,618)
Prepaid expenses	(218,898)	(16,049)
Other assets	(10,576)	(11,124)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(12,101)	(144,821)
Grants payable	(65,243)	(38,533)
Refundable advances	(50,579)	1,394,553
Operating lease liabilities	(134,538)	-
Deferred rent	<u>(18,541)</u>	<u>(104,216)</u>
Net cash (used) provided by operating activities	<u>(2,945,849)</u>	<u>1,264,178</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(17,933)</u>	<u>(68,868)</u>
Net cash used by investing activities	<u>(17,933)</u>	<u>(68,868)</u>
Net (decrease) increase in cash and cash equivalents	(2,963,782)	1,195,310
Cash and cash equivalents at beginning of year	<u>8,319,201</u>	<u>7,123,891</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,355,419</u>	<u>\$ 8,319,201</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Right-of-Use Assets	<u>\$ 1,319,399</u>	<u>\$ -</u>
Operating Lease Liabilities for Right-of-Use Assets	<u>\$ 1,319,399</u>	<u>\$ -</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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 (NGO's), 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 in its IRS Form 990.

NRGI receives general operating and project-based support from a diverse group of foundations, U.S. and foreign government development agencies and international organizations, three of whom have been consistent supporters since NRGI's founding in 2006. During the year ended December 31, 2022, NRGI received 76% of its contributions from one foundation and two foreign government agencies.

The Natural Resource Charter Limited ("NRGI UK"), NRGI Tanzania Limited ("Tanzania"), NRGI – Lebanon ("Lebanon"), Natural Resource Governance Institute - Europe ASBL (NRGI EU), and Association Institut de la Gouvernance des Ressources Naturelles – Filiale Tunisie ("Tunisia"), together "NRGI", were formed with NRGI as their sole member. NRCL 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 established to further NRGI's mission. NRGI EU was established in 2021 (in Belgium) as a registered subsidiary in Europe in order to further NRGI's mission. Tanzania was established in 2022 as an association, and its purpose is to further NRGI's mission in-country.

Principles of consolidation -

The accounts of Natural Resource Governance Institute have been consolidated with the five subsidiaries noted in the "Organization" note above (collectively, "NRGI") in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated and controlled organizations be consolidated. All intercompany transactions and balances have been eliminated in consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation (continued) -

As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions. When a restriction expires (through the passage of time or the incurrence of costs), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncements adopted -

During the year ended December 31, 2022, NRGI adopted Accounting Standards Update (ASU) 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. NRGI applied the new standard to all existing leases in 2022 and also the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 8 for further details.

Also during the year ended December 31, 2022, NRGI adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

Cash and cash equivalents -

NRGI considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, NRGI maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

NRGI had approximately \$208,620 and \$56,853 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2022 and 2021. The majority of funds invested in foreign countries are uninsured.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Grants and contributions receivable -

Grants and contributions receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally four to ten years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the years ended December 31, 2022 and 2021 totaled \$21,097 and \$113,489, respectively.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

NRGI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. NRGI is not a private foundation.

NRGI's subsidiaries are subject to the taxing requirements in their host countries. As of December 31, 2022 and 2021, there were no taxes due for activities in those jurisdictions.

Uncertain tax positions -

For the years ended December 31, 2022 and 2021, NRGI has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Revenue -

The majority of NRGI's revenue is received through awards from foreign governments, international organizations, foundations and other entities. Grants and contributions are recognized in the appropriate category of net assets in the period received. NRGI performs an analysis of the individual award to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue (continued) -

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Awards qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision and a defined barrier (or barriers), and the entity has limited discretion over how funds transferred should be spent.

Accordingly, revenue is recognized when the condition or conditions are satisfied (when the related barrier has been overcome; generally, when qualifying expenditures are incurred); these transactions are nonreciprocal and classified as conditional, and are recognized as contributions when the revenue becomes unconditional.

As of December 31, 2022 and 2021, NRGI had \$1,763,671 and \$1,814,250 of advances received (under conditional assistance awards) that have not been recognized as revenue in the accompanying financial statements. Additionally, as of December 31, 2022 and 2021, NRGI had not received any conditional contributions that were not been recognized (as refundable advances or revenue) in the accompanying consolidated financial statements.

In-kind contributions -

In-kind contributions consist of donated IT services and are recorded at their fair value as of the date of the gift.

Foreign currency translation -

The U.S. Dollar is the functional currency for NRGI's worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Consolidated Statements of Financial Position.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Grants awarded -

Grants awarded are recognized as expenses in the period of award. Grants not disbursed during the year of award are recorded as grants payable as of the date of the Consolidated Statements of Financial Position.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of NRGI are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other 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 based on salary percentages.

New accounting pronouncement not yet adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for NRGI for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

NRGI plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2022 and 2021, donors to NRGI have made unconditional written promises to give, of which \$4,811,084 and \$3,906,646, respectively, remained due and outstanding. Amounts due beyond one year of the Consolidated Statements of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 3.00%.

Following is a schedule of amounts due, by year, as of December 31, 2022 and 2021:

	2022	2021
Less than one year	\$ 3,507,084	\$ 2,541,646
One to five years	1,304,000	1,365,000
Subtotal	4,811,084	3,906,646
Less: Allowance to discount balance to present value	(48,500)	-
TOTAL GRANTS AND CONTRIBUTIONS RECEIVABLE	\$ 4,762,584	\$ 3,906,646

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

3. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2022 and 2021:

	2022	2021
Office equipment	\$ 23,768	\$ 49,241
Software and website development	745,660	868,172
Furniture	150,076	201,089
Computer equipment and software	276,412	305,632
Leasehold improvements	-	219,365
Other	5,000	5,000
Subtotal fixed assets	1,200,916	1,648,499
Less: Accumulated depreciation and amortization	(963,256)	(1,407,675)
NET FIXED ASSETS	\$ 237,660	\$ 240,824

4. BOARD DESIGNATED NET ASSETS

NRGI's net assets without donor restrictions include amounts that have been designated by the Board of Directors. A Strategic Investment Fund (SIF) was created through full Board of Directors approval on July 27, 2021. The Fund was seeded with \$2,000,000 generated from previous years' financial surplus. The SIF is to be used by NRGI for a range of purposes, including: development of new areas of work, the acceleration of current programs, and other activities designed to strengthen NRGI's leadership in natural resource governance. The use of the Fund, and the activities funded by it, require an approval by the Board of Directors. During the year ended December 31, 2022, NRGI's Board of Directors authorized \$1,000,000 to be spent from its Board Designated Net Assets. NRGI made concerted decisions to use the Strategic Investment Fund to invest in programs and personnel related to the energy transition to demonstrate impact to potential funders. That included investments in our Nigeria, DRC and Latin America programs and on advancing the just Transition at country and global levels. This investment has borne fruit – attracting new funding based on these catalytic investments.

Following is a summary of net assets activity as of (and for the year ended) December 31, 2022:

	Without Donor Restrictions			Total With Donor Restrictions	Total Net Assets
	Undesignated	Board Designated	Total Without Donor Restrictions		
Balance at December 31, 2021	\$ 6,316,708	\$ 2,000,000	\$ 8,316,708	\$ 2,319,367	\$ 10,636,075
Revenue	5,082,954	-	5,082,954	5,204,200	10,287,154
Net assets released from donor restrictions	5,143,291	-	5,143,291	(5,143,291)	-
Expenses	(12,040,268)	-	(12,040,268)	-	(12,040,268)
Other items	(84,073)	-	(84,073)	-	(84,073)
Change in net assets before funds authorized for spend	(1,898,096)	-	(1,898,096)	60,909	(1,837,187)
Funds authorized for spend	1,000,000	(1,000,000)	-	-	-
Change in net assets	(898,096)	(1,000,000)	(1,898,096)	60,909	(1,837,187)
BALANCE AT DECEMBER 31, 2022	\$ 5,418,612	\$ 1,000,000	\$ 6,418,612	\$ 2,380,276	\$ 8,798,888

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

	2022	2021
Program restricted:		
Ford Foundation	\$ 1,380,276	\$ 2,179,235
Open Society Foundations	1,000,000	-
United Nations Democracy Fund	-	110,132
Climate Works Foundation	-	25,000
Luminate	-	5,000
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 2,380,276	\$ 2,319,367

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2022	2021
Passage of Time:		
Open Society Foundations	\$ 4,000,000	\$ 4,005,000
Program Expenses Incurred:		
Ford Foundation	798,960	958,506
Open Society Initiative for West Africa	91,123	173,523
United Nations Democracy Fund	85,756	-
International Research & Exchanges Board	53,839	46,160
Africa Climate Foundation	50,000	-
Climate Works Foundation	25,000	-
World Bank	18,467	-
Stockholm Environment Institute	15,146	-
Luminate	5,000	-
The William & Flora Hewlett Foundation	-	2,540,000
Columbia Center on Sustainable Investment	-	3,525
Open Contracting Partnership	-	324
Open Government Partnership	-	100,380
The Regents of University of California	-	11,000
United Nations Democracy Fund	-	71,320
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 5,143,291	\$ 7,909,738

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statements of Financial Position dates comprise the following:

	2022	2021
Cash and cash equivalents	\$ 5,355,419	\$ 8,319,201
Grants and contributions receivable	4,762,584	3,906,646
Other receivables	32,365	29,618
Subtotal financial assets available within one year	10,150,368	12,255,465
Less: Donor restricted funds	(2,380,276)	(2,319,367)
Less: Board-designated funds	(1,000,000)	(2,000,000)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 6,770,092	\$ 7,936,098

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

6. LIQUIDITY AND AVAILABILITY (Continued)

NRGI has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2022 and 2021, NRGI has financial assets equal to approximately seven and eight months, respectively, of operating expenses.

7. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2022 and 2021, NRGI was the beneficiary of donated services which allowed NRGI to provide greater resources toward various activities. There were no donor-imposed restrictions associated with the in-kind contributions during the years ended December 31, 2022 and 2021. The following donations have been included in revenue and expense during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Donated Professional Services	\$ <u>19,410</u>	\$ <u>23,440</u>

The aforementioned donated expenses have been presented in as follows in the accompanying Consolidated Statements of Functional Expenses:

	<u>2022</u>	<u>2021</u>
Management and General	\$ <u>19,410</u>	\$ <u>23,440</u>

8. LEASE COMMITMENTS

NRGI leased office space in New York under an agreement which expired on July 31, 2022. The lease required NRGI to contribute a proportionate share of building operating expenses, and the rental payments increased by a factor of 3.25% per year.

In April 2022, NRGI entered into a five-year lease for office space in New York that commenced on August 5, 2022 and expires in July 2027. Base rent is \$16,695 per month which will not escalate over the lease term. Under the lease agreement, NRGI received rent abatement for the first five months of the lease.

NRGI leases office space in Ghana, Peru and the United Kingdom under agreements that are set to expire during 2024 and 2025.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statements of Financial Position and disclosure of key information about leasing arrangements. NRGI elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. NRGI also elected the practical expedient that allows lessees to choose to not separate lease and nonlease components by class of underlying asset and are applying this expedient to all relevant asset classes. NRGI adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, NRGI recorded right-of-use assets in the amount of \$1,319,399. NRGI recorded operating lease liabilities in the amount of \$1,319,399 by calculating the present value using discount rates of 6.00%, 24.0% and 2.00% for their New York, Ghana and United Kingdom office leases, respectively.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

8. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2023	\$ 420,456
2024	411,456
2025	220,797
2026	200,340
2027	<u>116,865</u>
	1,369,914
Less: Imputed interest	<u>(185,053)</u>
TOTAL	<u>\$ 1,184,861</u>

Lease expense (under domestic and foreign leases), including rental payments and related utilities, for the years ended December 31, 2022 and 2021 totaled \$576,107 and \$705,879, respectively.

9. RETIREMENT PLAN

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, 2022 and 2021 was \$380,733 and \$437,362, respectively.

Deferred compensation (Section 457(b)) plans are offered to NRGI's former and current Chief Executive Officers (the "Executives"). The assets of these plans remain the property of NRGI (NRGI is the custodian) until distributed to the Executives or their beneficiaries at retirement or severance from employment. There were no contributions made to the plan during the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, \$71,504 and \$84,297, respectively, in deferred compensation is included in other assets and accounts payable and accrued liabilities in the accompanying Consolidated Statements of Financial Position.

10. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, NRGI has evaluated events and transactions for potential recognition or disclosure through June 19, 2023, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>NRGI USA</u>	<u>NRGI EU</u>	<u>NRGI TNZ</u>	<u>NRGI TUN</u>	<u>NRGI UK</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE							
Contributions	\$ 10,225,163	\$ 6,357	\$ 413,750	\$ 160,009	\$ 2,139,547	\$ (2,719,663)	\$ 10,225,163
Other	77,860	(3,474)	(12,395)	-	-	-	61,991
Total support and revenue	<u>10,303,023</u>	<u>2,883</u>	<u>401,355</u>	<u>160,009</u>	<u>2,139,547</u>	<u>(2,719,663)</u>	<u>10,287,154</u>
EXPENSES							
Program Services	8,695,319	2,683	327,052	145,370	1,076,967	(2,716,982)	7,530,409
Management and General	3,160,596	-	70,502	32,671	884,689	(2,681)	4,145,777
Fundraising	115,983	-	-	-	248,099	-	364,082
Total expenses	<u>11,971,898</u>	<u>2,683</u>	<u>397,554</u>	<u>178,041</u>	<u>2,209,755</u>	<u>(2,719,663)</u>	<u>12,040,268</u>
Change in net assets before other item	(1,668,875)	200	3,801	(18,032)	(70,208)	-	(1,753,114)
OTHER ITEM							
Foreign currency translation adjustment	(84,073)	-	-	-	-	-	(84,073)
Change in net assets after other item	(1,752,948)	200	3,801	(18,032)	(70,208)	-	(1,837,187)
Net assets at beginning of year	<u>10,578,090</u>	<u>894</u>	<u>3,854</u>	<u>-</u>	<u>53,237</u>	<u>-</u>	<u>10,636,075</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 8,825,142</u>	<u>\$ 1,094</u>	<u>\$ 7,655</u>	<u>\$ (18,032)</u>	<u>\$ (16,971)</u>	<u>\$ -</u>	<u>\$ 8,798,888</u>