

CONSOLIDATED FINANCIAL STATEMENTS

**NATURAL RESOURCE GOVERNANCE
INSTITUTE AND SUBSIDIARIES**

**FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022, 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, 2023 and 2022, 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. 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 Without Net Assets Classification on pages 20 - 21 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2024, on our consideration of NRG'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 solely 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 effectiveness of NRG's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NRG's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

July 30, 2024

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,711,942	\$ 5,255,249
Grants and contributions receivable, net	3,351,650	4,762,584
Other receivables	29,439	32,365
Prepaid expenses	432,400	591,145
Fixed assets, net	330,216	237,660
Right-of-use assets, net	813,787	1,079,997
Other assets	<u>354,242</u>	<u>345,283</u>
TOTAL ASSETS	<u>\$ 10,023,676</u>	<u>\$ 12,304,283</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 696,031	\$ 518,100
Grants payable	33,763	38,763
Refundable advances	3,015,655	1,763,671
Operating lease liabilities	<u>888,422</u>	<u>1,184,861</u>
Total liabilities	<u>4,633,871</u>	<u>3,505,395</u>

NET ASSETS

Without donor restrictions	3,985,120	6,418,612
With donor restrictions	<u>1,404,685</u>	<u>2,380,276</u>
Total net assets	<u>5,389,805</u>	<u>8,798,888</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,023,676</u>	<u>\$ 12,304,283</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions:			
Non-governmental organizations and foundations	\$ 24,052	\$ 4,983,614	\$ 5,007,666
U.S. Government assistance	2,280,007	-	2,280,007
Foreign governmental development agencies	-	2,383,206	2,383,206
International organizations	-	994,305	994,305
Contributed nonfinancial assets	19,512	-	19,512
Other	36,084	-	36,084
Net assets released from donor restrictions	<u>9,336,716</u>	<u>(9,336,716)</u>	<u>-</u>
Total support and revenue	<u>11,696,371</u>	<u>(975,591)</u>	<u>10,720,780</u>
EXPENSES			
Program Services	<u>9,794,338</u>	<u>-</u>	<u>9,794,338</u>
Supporting Services:			
Management and General	3,838,349	-	3,838,349
Fundraising	<u>435,219</u>	<u>-</u>	<u>435,219</u>
Total supporting services	<u>4,273,568</u>	<u>-</u>	<u>4,273,568</u>
Total expenses	<u>14,067,906</u>	<u>-</u>	<u>14,067,906</u>
Changes in net assets before other item	(2,371,535)	(975,591)	(3,347,126)
OTHER ITEM			
Foreign currency translation adjustment	<u>(61,957)</u>	<u>-</u>	<u>(61,957)</u>
Changes in net assets	(2,433,492)	(975,591)	(3,409,083)
Net assets at beginning of year	<u>6,418,612</u>	<u>2,380,276</u>	<u>8,798,888</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,985,120</u>	<u>\$ 1,404,685</u>	<u>\$ 5,389,805</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions:			
Non-governmental organizations and foundations	\$ 647,661	\$ 5,266,247	\$ 5,913,908
U.S. Government assistance	436,740	-	436,740
Foreign governmental development agencies	-	3,636,211	3,636,211
International organizations	-	238,304	238,304
Contributed nonfinancial assets	19,410	-	19,410
Other	42,581	-	42,581
Net assets released from donor restrictions	<u>9,079,853</u>	<u>(9,079,853)</u>	<u>-</u>
Total support and revenue	<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>
Changes 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>
Changes 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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and related benefits	\$ 4,572,991	\$ 2,270,798	\$ 369,518	\$ 2,640,316	\$ 7,213,307
Grants to other organizations	2,283,028	-	-	-	2,283,028
Consultants fees and related expenses	1,520,886	449,466	12,652	462,118	1,983,004
Travel, meals and lodging	467,405	48,618	1,716	50,334	517,739
Conference and meetings	569,095	337	-	337	569,432
Office expenses	120,702	115,673	-	115,673	236,375
Software support	195	9,257	-	9,257	9,452
Printing and publications	33,047	2,713	-	2,713	35,760
Postage, shipping and delivery	619	3,984	-	3,984	4,603
Occupancy	151,601	432,927	50,730	483,657	635,258
Maintenance	20,141	19,658	-	19,658	39,799
Subscriptions and memberships	22,830	9,639	603	10,242	33,072
Legal and accounting	29,081	272,538	-	272,538	301,619
Insurance	-	92,484	-	92,484	92,484
Recruiting	-	3,838	-	3,838	3,838
Miscellaneous	2,717	52,843	-	52,843	55,560
Total expenses before depreciation and amortization	9,794,338	3,784,773	435,219	4,219,992	14,014,330
Depreciation and amortization	-	53,576	-	53,576	53,576
TOTAL	\$ 9,794,338	\$ 3,838,349	\$ 435,219	\$ 4,273,568	\$ 14,067,906

See accompanying notes to consolidated financial statements.

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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (3,409,083)	\$ (1,837,187)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	53,576	21,097
Change in discount on noncurrent receivables	(37,665)	48,500
Amortization of right-of-use assets	266,210	239,402
Loss on disposal of fixed assets	152,067	-
Decrease (increase) in:		
Grants and contributions receivable	1,448,599	(904,438)
Other receivables	2,926	(2,747)
Prepaid expenses	158,745	(218,898)
Other assets	(8,959)	(110,746)
Increase (decrease) in:		
Accounts payable and accrued liabilities	177,931	(12,101)
Grants payable	(5,000)	(65,243)
Refundable advances	1,251,984	(50,579)
Operating lease liabilities	(296,439)	(134,538)
Deferred rent	-	(18,541)
Net cash used by operating activities	<u>(245,108)</u>	<u>(3,046,019)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(298,199)</u>	<u>(17,933)</u>
Net cash used by investing activities	<u>(298,199)</u>	<u>(17,933)</u>
Net decrease in cash and cash equivalents	(543,307)	(3,063,952)
Cash and cash equivalents at beginning of year	<u>5,255,249</u>	<u>8,319,201</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,711,942</u>	<u>\$ 5,255,249</u>
SUPPLEMENTAL INFORMATION:		
Right-of-Use Assets	<u>\$ -</u>	<u>\$ 1,319,399</u>
Operating Lease Liabilities for Right-of-Use Assets	<u>\$ -</u>	<u>\$ 1,319,399</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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.

The Natural Resource Charter Limited ("NRGI UK" or "NRCL"), NRGI Tanzania Limited ("Tanzania"), 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 and Tunisia are both locally registered companies that were established to further NRGI's mission in-country. NRGI EU was established in 2021 (in Belgium) as a registered subsidiary in Europe.

Principles of consolidation -

The accompanying consolidated financial statements are presented in accordance with the criterion established by FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. Under FASB ASC 958-810, consolidation is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. The accompanying consolidated financial statements include the operations of Natural Resource Governance Institute and its subsidiaries (collectively, "NRGI"). All significant inter-company accounts and transactions 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 accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

Basis of presentation (continued) -

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". Net assets set aside 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** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

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 \$121,572 and \$208,620 of cash and cash equivalents held at financial institutions in foreign countries at December 31, 2023 and 2022. The majority of funds invested in foreign countries are uninsured.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

Grants and contributions receivable -

Grants and contributions receivable include unconditional promises to give that are expected to be collected in future years. Grants and contributions receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term grants and contributions receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in grants and contributions revenue.

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 three to fifteen years. Leasehold improvements are recorded at cost and are amortized over the lesser of the useful life of the asset or the remaining term 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, 2023 and 2022 totaled \$53,576 and \$21,097, 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 Changes in Net Assets, to its current fair value.

Income taxes -

NRGI is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. NRGI is not a private foundation.

NRGI's subsidiaries are subject to the taxing requirements in their host countries. As of December 31, 2023 and 2022, there were no taxes due for activities in those jurisdictions.

Revenue recognition (grants and contributions) -

The majority of NRGI's revenue is received through awards from U.S. and 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 in accordance with Topic 958.

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.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

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

Revenue recognition (grants and contributions) (continued) -

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, 2023 and 2022, NRGI had \$3,015,655 and \$1,763,671 of funds received (under conditional assistance awards) that have not been recognized as revenue and have been presented as refundable advances in the accompanying consolidated financial statements. As of December 31, 2023 and 2022, NRGI had received conditional contributions totaling \$19,681,843 and \$14,625,461, respectively, which have not been recognized as revenue in the accompanying consolidated financial statements.

Contributed nonfinancial assets -

Contributed nonfinancial assets consist of donated IT services. Contributed nonfinancial assets 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.

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.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

Functional allocation of expenses (continued) -

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.

2. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2023 and 2022, donors to NRGI have made unconditional written promises to give, of which \$3,362,485 and \$4,811,084, 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, 2023 and 2022:

	2023	2022
Less than one year	\$ 2,990,485	\$ 3,507,084
One to five years	372,000	1,304,000
Subtotal	3,362,485	4,811,084
Less: Allowance to discount balance to present value	(10,835)	(48,500)
TOTAL GRANTS AND CONTRIBUTIONS RECEIVABLE	\$ 3,351,650	\$ 4,762,584

3. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2023 and 2022:

	2023	2022
Office equipment	\$ 12,140	\$ 23,768
Software and website development	987,710	745,660
Furniture	10,386	150,076
Computer equipment	-	276,412
Leasehold improvements	34,103	-
Other	27,660	5,000
Subtotal fixed assets	1,071,999	1,200,916
Less: Accumulated depreciation and amortization	(741,783)	(963,256)
NET FIXED ASSETS	\$ 330,216	\$ 237,660

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.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

4. BOARD DESIGNATED NET ASSETS (Continued)

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. During the year ended December 31, 2023, NRGi's Board of Directors authorized another \$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 its 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, 2023:

	Without Donor Restrictions				
	Undesignated	Board Designated	Total Without Donor Restrictions	Total With Donor Restrictions	Total Net Assets
Balance at December 31, 2022	\$ 5,418,612	\$ 1,000,000	\$ 6,418,612	\$ 2,380,276	\$ 8,798,888
Revenue	2,359,655	-	2,359,655	8,361,125	10,720,780
Net assets released from donor restrictions	9,336,716	-	9,336,716	(9,336,716)	-
Expenses	(14,067,906)	-	14,067,906	-	14,067,906
Other items	(61,957)	-	(61,957)	-	(61,957)
Change in net assets before funds authorized for spend	(2,433,492)	-	(2,433,492)	(975,591)	(3,409,083)
Funds authorized for spend	1,000,000	(1,000,000)	-	-	-
Change in net assets	(1,433,492)	(1,000,000)	(2,433,492)	(975,591)	(3,409,083)
BALANCE AT DECEMBER 31, 2023	\$ 3,985,120	\$ -	\$ 3,985,120	\$ 1,404,685	\$ 5,389,805

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2023 and 2022:

	2023	2022
Time Restricted:		
Open Society Foundations	\$ -	\$ 1,000,000
The William and Flora Hewlett Foundation	750,000	-
Program Restricted:		
Ford Foundation	654,685	1,380,276
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 1,404,685	\$ 2,380,276

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the years ended December 31, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Passage of Time:		
Open Society Foundations	\$ 1,000,000	\$ 4,000,000
The William and Flora Hewlett Foundation	750,000	-
Program Expenses Incurred:		
Ford Foundation	1,038,911	960,640
Open Society Initiative for West Africa	-	91,123
United Nations Democracy Fund	112,773	219,836
International Research and Exchanges Board	-	53,839
Africa Climate Foundation	82,383	50,000
Climate Works Foundation	-	25,000
World Bank	881,532	18,467
Stockholm Environment Institute	16,435	15,146
Luminate	-	5,000
The William and Flora Hewlett Foundation	50,000	-
Gordon and Betty Moore Foundation	505,298	-
Norwegian Agency for Development Cooperation	1,246,778	1,538,973
Swiss Agency for Development and Cooperation	733,866	542,602
Open Society Foundations	1,254,867	59,248
The Ministry for Foreign Affairs of Finland	-	1,213,473
Deutsche Gesellschaft für Internationale Zusammenarbeit	402,563	241,163
Heising-Simons Foundation	67,175	43,323
Energy Transition Fund	610,905	2,020
European Climate Foundation	121,690	-
Global Methane Hub	87,520	-
Adam Smith International	41,224	-
Institute of Development Studies	28,525	-
Sequoia Climate Foundation	276,978	-
Climate Energy Collaboration Group	15,084	-
Publish What You Pay	<u>12,209</u>	<u>-</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>9,336,716</u>	\$ <u>9,079,853</u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statements of Financial Position date comprise the following as of December 31, 2023:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,711,942	\$ 5,255,249
Grants and contributions receivable	3,351,650	4,762,584
Other receivables	<u>29,439</u>	<u>32,365</u>
Subtotal financial assets available within one year	8,093,031	10,050,198
Less: Program restricted funds	(654,685)	(1,380,276)
Less: Board-designated funds	<u>-</u>	<u>(1,000,000)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>7,438,346</u>	\$ <u>7,669,922</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

6. LIQUIDITY AND AVAILABILITY (Continued)

NRGI has a policy to structure its financial assets to be available and liquid as its obligations become due.

7. CONTRIBUTED NONFINANCIAL ASSETS

During the years ended December 31, 2023 and 2022, 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, 2023 and 2022.

The following donations have been included in revenue and expense during the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Donated IT Services	\$ <u>19,512</u>	\$ <u>19,410</u>

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

	<u>2023</u>	<u>2022</u>
Management and General	\$ <u>19,512</u>	\$ <u>19,410</u>

8. LEASE COMMITMENTS

NRGI follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842 for leases. NRGI has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. NRGI has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

Operating Leases:

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 2025 and 2026.

For the years ended December 31, 2023 and 2022, the total lease cost for all operating leases was \$522,175 and \$504,534, respectively, which is included in occupancy expense in the accompanying Consolidated Statements of Functional Expenses. For the years ended December 31, 2023 and 2022, the total cash paid was \$492,632 and \$408,516 for all operating leases. As of December 31, 2023 and 2022, respectively, the weighted-average remaining lease term and rate for operating leases is 2.93 and 2.75 years and 4.99% and 4.83%, respectively.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

8. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments due under the operating leases, net of imputed interest, as of December 31, 2023:

<u>Year Ending December 31,</u>	
2024	\$ 418,843
2025	235,898
2026	200,340
2027	<u>116,865</u>
	971,946
Less: Imputed interest	<u>(83,524)</u>
	888,422
Less: Current portion	<u>(374,816)</u>
LONG-TERM PORTION	<u>\$ 513,606</u>

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 in its overseas offices. Total contributions to the Plan and foreign benefits for the years ended December 31, 2023 and 2022 was \$567,578 and \$380,733, 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, 2023 and 2022. At December 31, 2023 and 2022, \$82,638 and \$71,504, respectively, in deferred compensation is included in other assets and accounts payable and accrued liabilities in the accompanying Consolidated Statements of Financial Position.

10. CONTINGENCY

NRGI receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2023. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

11. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, NRGI has evaluated events and transactions for potential recognition or disclosure through July 30, 2024, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023**

ASSETS							
ASSETS	NRGI USA	NRGI EU	NRGI TNZ	NRGI TUN	NRGI UK	Eliminations	Total
Cash and cash equivalents	\$ 4,615,932	\$ 807	\$ 11,786	\$ 4,890	\$ 78,527	\$ -	\$ 4,711,942
Grants and contributions receivable, net	3,351,650	-	-	-	-	-	3,351,650
Other receivables	2,673	26,026	740	-	-	-	29,439
Intercompany receivable	607,220	1,501	227	-	-	(608,948)	-
Prepaid expenses	274,591	1,631	2,392	1,828	151,958	-	432,400
Fixed assets, net	309,847	-	-	-	20,369	-	330,216
Right-of-use assets, net	646,311	-	-	-	167,476	-	813,787
Other assets	354,242	-	-	-	-	-	354,242
TOTAL ASSETS	\$ 10,162,466	\$ 29,965	\$ 15,145	\$ 6,718	\$ 418,330	\$ (608,948)	\$ 10,023,676
LIABILITIES AND NET ASSETS							
LIABILITIES							
Accounts payable and accrued liabilities	\$ 541,673	\$ 28,464	\$ 67	\$ 513	\$ 125,314	\$ -	\$ 696,031
Grants payable	33,763	-	-	-	-	-	33,763
Intercompany payable	165,969	-	284,439	140,826	17,714	(608,948)	-
Refundable advances	3,015,655	-	-	-	-	-	3,015,655
Operating lease liabilities	705,526	-	-	-	182,896	-	888,422
Total liabilities	4,462,586	28,464	284,506	141,339	325,924	(608,948)	4,633,871
NET ASSETS							
Without donor restrictions (deficit)	4,295,195	1,501	(269,361)	(134,621)	92,406	-	3,985,120
With donor restrictions	1,404,685	-	-	-	-	-	1,404,685
Total net assets (deficit)	5,699,880	1,501	(269,361)	(134,621)	92,406	-	5,389,805
TOTAL LIABILITIES AND NET ASSETS	\$ 10,162,466	\$ 29,965	\$ 15,145	\$ 6,718	\$ 418,330	\$ (608,948)	\$ 10,023,676

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
WITHOUT NET ASSETS CLASSIFICATION
FOR THE YEAR ENDED DECEMBER 31, 2023

	<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							
Grants and contributions	\$ 10,685,103	\$ 191,363	\$ -	\$ -	\$ 2,448,466	\$ (2,640,236)	\$ 10,684,696
Other	35,601	-	483	-	-	-	36,084
Total support and revenue	<u>10,720,704</u>	<u>191,363</u>	<u>483</u>	<u>-</u>	<u>2,448,466</u>	<u>(2,640,236)</u>	<u>10,720,780</u>
EXPENSES							
Program Services	10,883,682	190,956	259,771	110,811	989,404	(2,640,236)	9,794,388
Management and General	2,772,889	-	17,728	5,778	1,041,904	-	3,838,299
Fundraising	127,438	-	-	-	307,781	-	435,219
Total expenses	<u>13,784,009</u>	<u>190,956</u>	<u>277,499</u>	<u>116,589</u>	<u>2,339,089</u>	<u>(2,640,236)</u>	<u>14,067,906</u>
Change in net assets before other item	(3,063,305)	407	(277,016)	(116,589)	109,377	-	(3,347,126)
OTHER ITEM							
Foreign currency translation adjustment	(61,957)	-	-	-	-	-	(61,957)
Change in net assets	(3,125,262)	407	(277,016)	(116,589)	109,377	-	(3,409,083)
Net assets at beginning 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>
NET ASSETS AT END OF YEAR	<u>\$ 5,699,880</u>	<u>\$ 1,501</u>	<u>\$ (269,361)</u>	<u>\$ (134,621)</u>	<u>\$ 92,406</u>	<u>\$ -</u>	<u>\$ 5,389,805</u>