

CONSOLIDATED FINANCIAL STATEMENTS

**NATURAL RESOURCE GOVERNANCE
INSTITUTE AND SUBSIDIARIES**

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Consolidated Statement of Financial Position, as of December 31, 2021, with Summarized Financial Information for 2020	4
EXHIBIT B - Consolidated Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2021, with Summarized Financial Information for 2020	5
EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended December 31, 2021, with Summarized Financial Information for 2020	6
EXHIBIT D - Consolidated Statement of Cash Flows, for the Year Ended December 31, 2021, with Summarized Financial Information for 2020	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8 - 16
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Consolidating Schedule of Financial Position, for the Year Ended December 31, 2021	17
SCHEDULE 2 - Consolidating Schedule of Activities and Change in Net Assets, for the Year Ended December 31, 2021	18



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 statement of financial position as of December 31, 2021, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year 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 financial position of NRGI as of December 31, 2021, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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.

Report on Summarized Comparative Information

NRG's 2020 consolidated financial statements were previously audited by other auditors, and they expressed an unmodified audit opinion on those audited financial statements in their report dated July 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 17 - 18 are presented for purposes of additional analysis and are not a required part of the 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 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 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 financial statements as a whole.



July 5, 2022

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	2021	2020
Cash and cash equivalents	\$ 8,319,201	\$ 7,123,891
Grants and contributions receivable	3,906,646	6,239,570
Other receivables	29,618	-
Prepaid expenses	372,247	356,198
Furniture and equipment, net of accumulated depreciation	240,824	286,848
Other assets	234,537	223,413
TOTAL ASSETS	<u>\$ 13,103,073</u>	<u>\$ 14,229,920</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 530,201	\$ 675,022
Grants payable	104,006	142,539
Refundable advances	1,814,250	419,697
Deferred rent	18,541	122,757
Total liabilities	2,466,998	1,360,015

NET ASSETS

Without donor restrictions	8,316,708	7,630,865
With donor restrictions	2,319,367	5,239,040
Total net assets	10,636,075	12,869,905
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,103,073</u>	<u>\$ 14,229,920</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions:				
Non-governmental organizations and foundations	\$ -	\$ 4,843,524	\$ 4,843,524	\$ 9,837,199
U.S. Governmental development agencies	-	151,409	151,409	69,813
Foreign governmental development agencies	-	3,971,875	3,971,875	6,055,746
International organizations	-	146,541	146,541	39,596
Donated legal services	23,440	-	23,440	136,737
Consulting income	-	-	-	3,038
Other revenue	10,781	-	10,781	36,600
Net assets released from donor restrictions	<u>12,033,022</u>	<u>(12,033,022)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>12,067,243</u>	<u>(2,919,673)</u>	<u>9,147,570</u>	<u>16,178,729</u>
EXPENSES				
Program Services	<u>6,863,640</u>	<u>-</u>	<u>6,863,640</u>	<u>7,285,006</u>
Supporting Services:				
Management and General	4,141,616	-	4,141,616	3,434,284
Fundraising	<u>364,866</u>	<u>-</u>	<u>364,866</u>	<u>403,071</u>
Total supporting services	<u>4,506,482</u>	<u>-</u>	<u>4,506,482</u>	<u>3,837,355</u>
Total expenses	<u>11,370,122</u>	<u>-</u>	<u>11,370,122</u>	<u>11,122,361</u>
Change in net assets before other item	697,121	(2,919,673)	(2,222,552)	5,056,368
OTHER ITEM				
Foreign currency translation adjustment	<u>(11,278)</u>	<u>-</u>	<u>(11,278)</u>	<u>(3,008)</u>
Change in net assets	685,843	(2,919,673)	(2,233,830)	5,053,360
Net assets at beginning of year	<u>7,630,865</u>	<u>5,239,040</u>	<u>12,869,905</u>	<u>7,816,545</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,316,708</u>	<u>\$ 2,319,367</u>	<u>\$ 10,636,075</u>	<u>\$ 12,869,905</u>

NATIONAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021				2020	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Salaries and related benefits	\$ 2,753,710	\$ 2,459,465	\$ 303,864	\$ 2,763,329	\$ 5,517,039	\$ 5,346,871
Grants to other organizations	333,627	1,669	-	1,669	335,296	478,181
Consultants fees and related expenses	2,932,220	770,896	-	770,896	3,703,116	3,154,481
Travel, meals and lodging	9,485	7,896	-	7,896	17,381	95,329
Conference and meetings	227,974	10,023	-	10,023	237,997	155,183
Office expenses	96,806	88,726	6,699	95,425	192,231	149,694
Software support	938	4,487	-	4,487	5,425	35,774
Printing and publications	25,835	6,627	-	6,627	32,462	19,421
Postage, shipping and delivery	-	14,094	-	14,094	14,094	-
Occupancy	341,415	321,296	43,168	364,464	705,879	849,837
Maintenance	16,244	11,691	2,180	13,871	30,115	26,716
Subscriptions and memberships	32,538	17,784	1,985	19,769	52,307	79,248
Legal and accounting	-	200,429	-	200,429	200,429	321,708
Insurance	39,271	48,481	2,553	51,034	90,305	85,830
Recruiting	-	71,277	-	71,277	71,277	208,794
Miscellaneous	-	51,280	-	51,280	51,280	27,710
Total expenses before depreciation and amortization	6,810,063	4,086,121	360,449	4,446,570	11,256,633	11,034,777
Depreciation and amortization	53,577	55,495	4,417	59,912	113,489	87,584
TOTAL	\$ 6,863,640	\$ 4,141,616	\$ 364,866	\$ 4,506,482	\$ 11,370,122	\$ 11,122,361

See accompanying notes to consolidated financial statements.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,233,830)	\$ 5,053,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	113,489	87,584
Loss on disposal of fixed assets	1,403	-
Decrease (increase) in:		
Grants and contributions receivable	2,332,924	(2,570,770)
Prepaid expenses	(16,049)	(13,666)
Other receivables	(29,618)	-
Other assets	(11,124)	(14,320)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(144,821)	(835,984)
Grants payable	(38,533)	11,319
Refundable advances	1,394,553	419,697
Deferred rent abatement	<u>(104,216)</u>	<u>3,685</u>
Net cash provided by operating activities	<u>1,264,178</u>	<u>2,140,905</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(68,868)</u>	<u>(169,912)</u>
Net cash used by investing activities	<u>(68,868)</u>	<u>(169,912)</u>
Net increase in cash and cash equivalents	1,195,310	1,970,993
Cash and cash equivalents at beginning of year	<u>7,123,891</u>	<u>5,152,898</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,319,201</u>	<u>\$ 7,123,891</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 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 (available here: <https://resourcegovernance.org/about-us/financial>).

NRGI receives general operating and project-based support from a diverse group of foundations, U.S. and foreign government development agencies and international organizations, three of whom have been consistent supporters since NRGI's founding in 2006. During the year ended December 31, 2021, NRGI received 41% of its contributions from one foundation and one foreign government agency.

The Natural Resource Charter Limited ("NRGI UK"), NRGI Tanzania Limited ("Tanzania"), NRGI – Lebanon ("Lebanon"), and Natural Resource Governance Institute - Europe ASBL (NRGI EU), 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.

Principles of consolidation -

The accounts of Natural Resource Governance Institute have been consolidated with the four 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, 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.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NRG's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

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, NRG maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

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

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 contribution 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.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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

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 4 to 10 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 year ended December 31, 2021 totaled \$113,489.

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, 2021, there were no taxes due for activities in those jurisdictions.

Uncertain tax positions -

For the year ended December 31, 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. Contributions and grants 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.

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.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

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

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

Revenue (continued) -

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, 2021, NRGI had \$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, 2021, NRGI had not received any conditional contributions that were not been recognized (as refundable advances or revenue) in the accompanying consolidated financial statements.

Donated legal services -

Donated legal services 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 Statement 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 Statement 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 Statement 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.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2021

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

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* 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 Update 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 ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

NRGI plans to adopt the new ASUs 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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact NRGI's operations.

NRGI's operations are heavily dependent on private and public donations from individual, corporations and the Federal Government as well as from program income. The outbreak may have a continued material adverse impact in economic market conditions, triggering a period of global economic slowdown. Given NRGI's financial condition and liquidity, management does not believe this will hinder the Organization's ability to advance its mission. Management believes that NRGI's has adequate resources to cover its obligations, operations, and core activities.

The global pandemic of COVID-19 continues to rapidly evolve and NRGI continues to monitor the situation closely. The ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change and the overall impact is unknown at this time.

2. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2021, donors to NRGI have made unconditional written promises to give, of which \$3,906,646 remained due and outstanding. Amounts due beyond one year of the Consolidated Statement of Financial Position date have not been discounted due to immateriality of amounts.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

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

2. GRANTS AND CONTRIBUTIONS RECEIVABLE (Continued)

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

Less than one year	\$ 2,541,646
One to five years	<u>1,365,000</u>
TOTAL RECEIVABLES	<u>\$ 3,906,646</u>

3. BOARD DESIGNATED NET ASSETS

As of December 31, 2021, net assets without donor restrictions 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. Following is a summary of net asset activity as of and for the year ended December 31, 2021:

	<u>Without Donor Restrictions</u>		<u>Total Without Donor Restrictions</u>	<u>Total With Donor Restrictions</u>	<u>Total Net Assets</u>
	<u>Undesignated</u>	<u>Board Designated</u>			
Balance at December 31, 2020	\$ <u>7,630,865</u>	\$ <u>-</u>	\$ <u>7,630,865</u>	\$ <u>5,239,040</u>	\$ <u>12,869,905</u>
Revenue	18,957	-	18,957	9,128,613	9,147,570
Net assets released from donor restrictions	12,033,022	-	12,033,022	(12,033,022)	-
Expenses	(11,370,122)	-	(11,370,122)	-	(11,370,122)
Change in net assets before SIF appropriations	681,857	-	681,857	(2,904,409)	(2,222,552)
SIF establishment	<u>(2,000,000)</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>(1,318,143)</u>	<u>2,000,000</u>	<u>681,857</u>	<u>(2,904,409)</u>	<u>(2,222,552)</u>
BALANCE AT DECEMBER 31, 2021	<u>\$ 6,312,722</u>	<u>\$ 2,000,000</u>	<u>\$ 8,312,722</u>	<u>\$ 2,334,631</u>	<u>\$ 10,647,353</u>

4. FIXED ASSETS

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

Office equipment	\$ 49,241
Software and website development	868,172
Furniture	201,089
Computer equipment and software	305,632
Leasehold improvements	219,365
Other	<u>5,000</u>
Total Fixed assets	1,648,499
Less: Accumulated depreciation and amortization	<u>(1,407,675)</u>
NET FIXED ASSETS	<u>\$ 240,824</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

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

5. NET ASSETS WITH DONOR RESTRICTIONS

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

Program restricted:	
Ford Foundation	\$ 2,179,239
Climate Works Foundation	25,000
United Nations Democracy Fund	110,132
Luminate	<u>5,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,319,371</u>

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:

Passage of Time:	
Open Society Foundation	\$ 4,005,000
Program Expenses Incurred:	
The William & Flora Hewlett Foundation	2,540,000
Foreign, Commonwealth & Development Office (UK)	1,021,174
Ford Foundation	958,503
Norwegian Agency for Development Cooperation	1,349,743
Swiss Agency for Development and Cooperation	511,409
Swiss State Secretariat for Economic Affairs (SECO)	84,286
The Ministry for Foreign Affairs of Finland	69,087
Deutsche Gesellschaft für Internationale Zusammenarbeit	936,175
Columbia Center on Sustainable Investment	3,525
Open Contracting Partnership	324
Open Government Partnership	100,380
The Regents of University of California	11,000
Open Society Initiative for West Africa	173,523
United Nations Democracy Fund	71,320
International Research & Exchanges Board	46,160
U.S. Department of State	<u>151,409</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 12,033,018</u>

6. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 8,319,201
Grants and contributions receivable	3,906,646
Other receivables	<u>29,618</u>
Subtotal financial assets available within one year	12,255,465
Less: Donor restricted funds	(2,319,371)
Less: Board-designated funds	<u>(2,000,000)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 7,936,094</u>

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 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, 2021, NRGI has financial assets equal to approximately 8 months of operating expenses.

7. LEASE COMMITMENTS

NRGI leased office space in New York under an agreement which expired on April 30, 2022. Subsequently, NRGI exercised a three-month extension until July 31, 2022. In lieu of providing the landlord with a cash security deposit, NRGI's bank extended a \$89,478 letter of credit, naming the landlord as the beneficiary; the letter of credit has not been exercised and accordingly not included in the accompanying Consolidated Statement of Financial Position as of December 31, 2021.

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. Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the accompanying Consolidated Statement of Financial Position. As of December 31, 2021, the deferred rent liability aggregated \$18,541.

During 2022, NRGI entered into a new lease for office space in New York. The lease requires a \$16,695 monthly payment which will not escalate over the lease term. The agreement also includes five months of free rent. The lease will expire during 2027.

NRGI leases office space in the United Kingdom under an agreement set to expire during 2025. NRGI also leases office space in various countries under short-term (single-year) leasing arrangements.

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

Year Ending December 31,

2022	\$ 377,301
2023	387,864
2024	384,456
2025	220,797
2026	200,340
2027	<u>100,170</u>
	<u>\$ 1,670,928</u>

Occupancy expense (under domestic and foreign leases), including rental payments and related utilities, for the year ended December 31, 2021 totaled \$705,879.

8. 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 year ended December 31, 2021 was \$437,362.

NATURAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

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

8. RETIREMENT PLAN (Continued)

Deferred compensation (Section 457(b)) plans are offered to NRG's former and current Chief Executive Officers (the "Executives"). The assets of these plans remain the property of NRG (NRG is the custodian) until distributed to the Executives or their beneficiaries at retirement or severance from employment. Contributions to the plan during the year ended December 31, 2021 totaled \$10,375. At December 31, 2021, \$84,297 in deferred compensation is included in other assets and accrued expenses in the accompanying Consolidated Statement of Financial Position.

9. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, NRG has evaluated events and transactions for potential recognition or disclosure through July 5, 2022, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

NATIONAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

ASSETS

	NRGI USA	NRGI EU	NRGI LEB	NRGI TNZ	NRGI UK	Eliminations	Total
ASSETS							
Cash and cash equivalents	\$ 8,314,546	\$ 499	\$ -	\$ 589	\$ 3,567	\$ -	\$ 8,319,201
Grants receivable	3,906,646	-	-	-	-	-	3,906,646
Accounts receivable	12,838	3,582	-	13,198	-	-	29,618
Prepaid expenses	289,785	268	-	1,906	80,288	-	372,247
Fixed assets, net	240,824	-	-	-	-	-	240,824
Other assets	163,377	-	-	-	71,160	-	234,537
TOTAL ASSETS	\$ 12,928,016	\$ 4,349	\$ -	\$ 15,693	\$ 155,015	\$ -	\$ 13,103,073

LIABILITIES AND NET ASSETS

LIABILITIES							
Accounts payable and accrued liabilities	\$ 431,670	\$ 3,455	\$ -	\$ 11,839	\$ 83,237	\$ -	\$ 530,201
Grants payable	104,006	-	-	-	-	-	104,006
Refundable advances	1,814,250	-	-	-	-	-	1,814,250
Deferred rent	-	-	-	-	18,541	-	18,541
Total liabilities	2,349,926	3,455	-	11,839	101,778	-	2,466,998
NET ASSETS							
Without donor restrictions	8,258,723	894	-	3,854	53,237	-	8,316,708
With donor restrictions	2,319,367	-	-	-	-	-	2,319,367
Total net assets	10,578,090	894	-	3,854	53,237	-	10,636,075
TOTAL LIABILITIES AND NET ASSETS	\$ 12,928,016	\$ 4,349	\$ -	\$ 15,693	\$ 155,015	\$ -	\$ 13,103,073

NATIONAL RESOURCE GOVERNANCE INSTITUTE AND SUBSIDIARIES
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>NRGI USA</u>	<u>NRGI EU</u>	<u>NRGI LEB</u>	<u>NRGI TNZ</u>	<u>NRGI UK</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE							
Grants	\$ 9,030,852	\$ 13,490	\$ (1,929)	\$ 272,152	\$ 2,501,327	\$ (2,679,103)	\$ 9,136,789
Other	10,781	-	-	-	-	-	10,781
Total support and revenue	<u>9,041,633</u>	<u>13,490</u>	<u>(1,929)</u>	<u>272,152</u>	<u>2,501,327</u>	<u>(2,679,103)</u>	<u>9,147,570</u>
EXPENSES							
Program Services	8,218,638	-	-	217,835	1,106,270	(2,679,103)	6,863,640
Management and General	3,007,403	12,596	154	51,160	1,070,303	-	4,141,616
Fundraising	91,858	-	-	-	273,008	-	364,866
Total expenses	<u>11,317,899</u>	<u>12,596</u>	<u>154</u>	<u>268,995</u>	<u>2,449,581</u>	<u>(2,679,103)</u>	<u>11,370,122</u>
Change in net assets before other item	(2,276,266)	894	(2,083)	3,157	51,746	-	(2,222,552)
OTHER ITEM							
Foreign currency translation adjustment	(11,278)	-	-	-	-	-	(11,278)
Change in net assets	(2,287,544)	894	(2,083)	3,157	51,746	-	(2,233,830)
Net assets at beginning of year	12,865,634	-	2,083	697	1,491	-	12,869,905
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 10,578,090</u>	<u>\$ 894</u>	<u>\$ -</u>	<u>\$ 3,854</u>	<u>\$ 53,237</u>	<u>\$ -</u>	<u>\$ 10,636,075</u>