

RESOURCES FOR THE FUTURE, INC.

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Resources for the Future, Inc.

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Independent Auditor's Report

Board of Directors
Resources for the Future, Inc.
Washington, D.C.

We have audited the accompanying financial statements of **Resources for the Future, Inc.** (the "Organization") (a nonprofit organization), which comprise the Statements of Financial Position as of September 30, 2017 and 2016, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Resources for the Future, Inc.** as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 3 and 4, the financial statements include investments valued at \$21,908,505 (36% of net assets) at September 30, 2017, and \$11,977,635 (20% of net assets) at September 30, 2016, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Other Matters

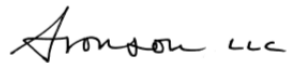
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Independent Auditor's Report (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2018, on our consideration of **Resources for the Future, Inc.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 **Resources for the Future, Inc.**'s internal control over financial reporting and compliance.



Rockville, Maryland
February 6, 2018

<i>September 30,</i>	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 394,629	\$ 505,310
Grants and contract revenue receivable	1,060,427	996,202
Contributions receivable, current portion	1,519,009	2,688,983
Other receivables	1,596	482
Other assets	26,100	182,761
Total current assets	3,001,761	4,373,738
Contributions receivable, net of current portion	1,178,942	1,012,967
Investments	56,476,064	53,593,195
Fixed assets - net of accumulated depreciation	7,225,865	7,449,318
Assets held under charitable trust agreements	345,187	325,752
Total assets	\$ 68,227,819	\$ 66,754,970

Resources for the Future, Inc.

Statements of Financial Position

<i>September 30,</i>	2017	2016
Liabilities and Net Assets		
Current liabilities		
Tax-exempt bond financing, current portion	\$ 310,000	\$ 295,000
Grants and awards payable	31,968	19,126
Accounts payable and accrued liabilities	1,821,454	2,314,741
Postretirement benefits, current portion	28,080	27,270
Deferred revenue	96,322	43,325
Total current liabilities	2,287,824	2,699,462
Long term liabilities		
Tax-exempt bond financing, net of current portion	4,000,000	4,310,000
Postretirement benefits, net of current portion	828,920	592,045
Liabilities under split-interest agreements	196,702	193,339
Funds held for others	172,114	64,842
Total long term liabilities	5,197,736	5,160,226
Total liabilities	7,485,560	7,859,688
Net assets		
Unrestricted	49,933,822	47,233,605
Temporarily restricted	4,319,030	5,172,270
Permanently restricted	6,489,407	6,489,407
Total net assets	60,742,259	58,895,282
Total liabilities and net assets	\$ 68,227,819	\$ 66,754,970

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Resources for the Future, Inc.

Statement of Activities and Changes in Net Assets

<i>Year Ended September 30, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets				
Revenue				
Program grants and contracts	\$ 3,338,039	\$ 3,356,779	\$ -	\$ 6,694,818
General support and contributions	965,250	-	-	965,250
Rental income	1,556,559	-	-	1,556,559
Investment income - net of investment and custodial fees of \$267,704	1,292,566	-	-	1,292,566
Other revenue	774	-	-	774
Net assets released from restrictions	5,062,199	(5,062,199)	-	-
Total operating revenue	12,215,387	(1,705,420)	-	10,509,967
Expenses				
Research programs				
Research	8,849,511	-	-	8,849,511
Academic Relations	58,267	-	-	58,267
Communications	1,024,553	-	-	1,024,553
Other direct	16,689	-	-	16,689
Total research program expenses	9,949,020	-	-	9,949,020
Fundraising	858,211	-	-	858,211
Management and administration	2,176,431	-	-	2,176,431
1616 P Street operations and maintenance	1,424,547	-	-	1,424,547
Total functional expenses	14,408,209	-	-	14,408,209
Changes in net assets from operations	(2,192,822)	(1,705,420)	-	(3,898,242)
Non-operating revenues				
Realized and unrealized gain on investment transactions	4,893,039	852,180	-	5,745,219
Change in net assets	2,700,217	(853,240)	-	1,846,977
Net assets at beginning of year	47,233,605	5,172,270	6,489,407	58,895,282
Net assets at end of year	\$ 49,933,822	\$ 4,319,030	\$ 6,489,407	\$ 60,742,259

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Resources for the Future, Inc.

Statement of Activities and Changes in Net Assets

<i>Year Ended September 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets				
Revenue				
Program grants and contracts	\$ 3,171,982	\$ 4,774,898	\$ -	\$ 7,946,880
General support and contributions	1,809,688	-	50	1,809,738
Rental income	1,645,914	-	-	1,645,914
Investment income - net of investment and custodial fees of \$451,798	1,309,504	-	-	1,309,504
Other revenue	4,247	-	-	4,247
Net assets released from restrictions	3,930,771	(3,930,771)	-	-
Total operating revenue	11,872,106	844,127	50	12,716,283
Expenses				
Research programs				
Research	9,019,125	-	-	9,019,125
Academic Relations	90,488	-	-	90,488
Communications	1,257,362	-	-	1,257,362
Other direct	46,397	-	-	46,397
Total research program expenses	10,413,372	-	-	10,413,372
Fundraising	943,986	-	-	943,986
Management and administration	2,179,247	-	-	2,179,247
1616 P Street operations and maintenance	1,351,339	-	-	1,351,339
Total functional expenses	14,887,944	-	-	14,887,944
Changes in net assets from operations	(3,015,838)	844,127	50	(2,171,661)
Non-operating revenues				
Realized and unrealized gain on investment transactions	2,160,270	372,830	-	2,533,100
Change in net assets	(855,568)	1,216,957	50	361,439
Net assets at beginning of year	48,089,173	3,955,313	6,489,357	58,533,843
Net assets at end of year	\$ 47,233,605	\$ 5,172,270	\$ 6,489,407	\$ 58,895,282

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Resources for the Future, Inc.

Statement of Functional Expenses

Year Ended September 30, 2017

Program expenses										
	Research	Academic Relations	Communi-cations	Other Direct	Programs Total	Research Support	Fundraising	Management and Administration	1616 P Street Operations and Maintenance	Total
RFF functional expenses										
Salaries	\$ 3,668,743	\$ 4,522	\$ 451,546	\$ 790	\$ 4,125,601	\$ 1,041,039	\$ 461,131	\$ 1,089,546	\$ -	\$ 6,717,317
Benefits	870,303	1,149	114,776	201	986,429	252,495	113,400	267,097	-	1,619,421
Resident consultants	374,738	6,550	-	-	381,288	2,575	10,000	250	-	394,113
Total salaries and benefits	4,913,784	12,221	566,322	991	5,493,318	1,296,109	584,531	1,356,893	-	8,730,851
Other costs										
Building operations	-	-	-	-	-	-	-	6,353	2,072,547	2,078,900
Occupancy	367,453	920	42,623	75	411,071	94,764	42,864	99,301	(648,000)	-
Research support	1,789,739	-	-	-	1,789,739	(1,789,739)	-	-	-	-
Communications	1,499	-	3,578	6,567	11,644	38,206	812	3,440	-	54,102
Computer services	1,878	14.00	81,473	-	83,365	95,054	11,099	46,105	-	235,623
Outside consultants	773,543	4,500	261,651	-	1,039,694	12,118	-	56,205	-	1,108,017
Conferences	126,681	9,319	15,617	9,056	160,673	12,617	22,736	58,559	-	254,585
Travel	98,188	6,012	1,840	-	106,040	3,798	18,870	35,195	-	163,903
Publication costs	83,538	-	9,474	-	93,012	11,448	2,882	8,548	-	115,890
Subawards	503,770	-	-	-	503,770	-	-	-	-	503,770
Professional services	146,601	-	11,735	-	158,336	110,720	161,835	180,599	-	611,490
Grants	1,265	-	2,100	-	3,365	25,032	-	7,795	-	36,192
Fellowship stipend	9,000	-	-	-	9,000	-	-	-	-	9,000
Dissertations	18,000	23,065	-	-	41,065	-	-	-	-	41,065
Depreciation	-	-	-	-	-	-	-	142,235	-	142,235
Other	14,572	2,216	28,140	-	44,928	89,873	12,582	175,203	-	322,586
Total other costs	3,935,727	46,046	458,231	15,698	4,455,702	(1,296,109)	273,680	819,538	1,424,547	5,677,358
Total RFF functional expenses	8,849,511	58,267	1,024,553	16,689	9,949,020	-	858,211	2,176,431	1,424,547	14,408,209
Indirect costs										
General support	738,147	10,367	161,958	2,969	913,441	-	152,704	(1,319,619)	253,474	-
Reimbursed	836,469	-	20,343	-	856,812	-	-	(856,812)	-	-
Pass-through	-	-	-	-	-	-	-	-	-	-
Total indirect costs	1,574,616	10,367	182,301	2,969	1,770,253	-	152,704	(2,176,431)	253,474	-
Total on full absorption basis	\$ 10,424,127	\$ 68,634	\$ 1,206,854	\$ 19,658	\$ 11,719,273	\$ -	\$ 1,010,915	\$ -	\$ 1,678,021	\$ 14,408,209

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Resources for the Future, Inc.

Statement of Functional Expenses

<i>Year Ended September 30, 2016</i>											
Program expenses											
	Research	Academic Relations	Communi-cations	Other Direct	Programs Total	Research Support	Fundraising	Management and Administration	1616 P Street Operations and Maintenance	Total	
RFF functional expenses											
Salaries	\$ 3,885,192	\$ 8,210	\$ 544,464	\$ 3,288	\$ 4,441,154	\$ 1,121,265	\$ 592,033	\$ 1,051,078	\$ -	\$ 7,205,530	
Benefits	1,124,142	2,574	170,408	1,031	1,298,155	343,227	180,777	296,227	-	2,118,386	
Resident consultants	551,368	9,170	-	-	560,538	900	11,600	-	-	573,038	
Total salaries and benefits	5,560,702	19,954	714,872	4,319	6,299,847	1,465,392	784,410	1,347,305	-	9,896,954	
Other costs											
Building operations	-	-	-	-	-	-	-	-	1,968,642	1,968,642	
Occupancy	369,880	1,336	47,383	54	418,653	90,995	52,029	85,969	(647,646)	-	
Research support	1,826,054	-	-	-	1,826,054	(1,826,054)	-	-	-	-	
Communications	433	-	14,866	11,443	26,742	9,416	1,091	2,742	-	39,991	
Computer services	1,769	-	90,509	-	92,278	119,522	13,718	45,888	-	271,406	
Outside consultants	614,059	24,300	282,262	22,950	943,571	13,590	16,140	53,985	-	1,027,286	
Conferences	121,035	7,823	27,568	7,631	164,057	22,154	32,160	79,200	-	297,571	
Travel	117,455	7,570	-	-	125,025	8,865	20,867	16,130	-	170,887	
Publication costs	55,142	372.00	57,835	-	113,349	8,121	4,446	18,849	-	144,765	
Subawards	154,948	-	-	-	154,948	-	-	-	-	154,948	
Professional services	110,250	-	5,500	-	115,750	-	12,066	260,656	-	388,472	
Grants	33,464	3,598	2,580	-	39,642	3,802	-	10,600	-	54,044	
Fellowship stipend	30,039	-	-	-	30,039	-	-	-	-	30,039	
Dissertations	-	25,500	-	-	25,500	-	-	-	-	25,500	
Depreciation	-	-	-	-	-	-	-	142,381	-	142,381	
Other	23,895	35	13,987	-	37,917	84,197	7,059	115,542	30,343	275,058	
Total other costs	3,458,423	70,534	542,490	42,078	4,113,525	(1,465,392)	159,576	831,942	1,351,339	4,990,990	
Total RFF functional expenses	9,019,125	90,488	1,257,362	46,397	10,413,372	-	943,986	2,179,247	1,351,339	14,887,944	
Indirect costs											
General support	813,366	15,516	198,136	4,614	1,031,632	-	161,871	(1,425,226)	231,723	-	
Reimbursed	732,259	-	17,472	3,350	753,081	-	-	(753,081)	-	-	
Pass-through	940	-	-	-	940	-	-	(940)	-	-	
Total indirect costs	1,546,565	15,516	215,608	7,964	1,785,653	-	161,871	(2,179,247)	231,723	-	
Total on full absorption basis	\$ 10,565,690	\$ 106,004	\$ 1,472,970	\$ 54,361	\$ 12,199,025	\$ -	\$ 1,105,857	\$ -	\$ 1,583,062	\$ 14,887,944	

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Resources for the Future, Inc.

Statements of Cash Flows

<i>Years Ended September 30,</i>	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 1,846,977	\$ 361,439
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities		
Depreciation	534,957	508,450
Net realized and unrealized gain on investments	(5,745,219)	(2,533,100)
Net realized and unrealized (gain) loss on assets held under charitable trust agreements	(30,701)	7,102
Realized gain from sale of gift funds	(8,012)	(1,001)
(Increase) decrease in		
Grants and contract revenue receivable	(64,225)	278,437
Contributions receivable	1,003,999	(161,420)
Other receivables	(1,114)	3,377
Other assets	156,661	(83,390)
Increase (decrease) in		
Grants and awards payable	12,842	(42,375)
Accounts payable and accrued liabilities	(493,287)	454,334
Postretirement benefits	237,685	6,499
Deferred revenue	52,997	(230,864)
Liabilities under split-interest agreements	35,059	12,160
Funds held for others	107,272	2,116
Net cash used by operating activities	(2,354,109)	(1,418,236)
Cash flows from investing activities		
Purchases of investments	(55,513,708)	(12,281,313)
Proceeds from sales of investments	58,384,070	15,543,490
Disbursements from charitable trust agreements	(20,430)	(21,498)
Purchases of fixed assets	(311,504)	(1,406,557)
Net cash provided by investing activities	2,538,428	1,834,122

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Resources for the Future, Inc.

Statements of Cash Flows (Continued)

<i>Years Ended September 30,</i>	2017	2016
Cash flows from financing activities		
Principal payments on tax-exempt bond financing	(295,000)	(285,000)
Change in cash and cash equivalents	(110,681)	130,886
Cash and cash equivalents at beginning of year	505,310	374,424
Cash and cash equivalents at end of year	\$ 394,629	\$ 505,310
Supplemental information		
Interest paid	\$ 107,587	\$ 72,847

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Resources for the Future, Inc.

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: Resources for the Future, Inc. (RFF) is a nonprofit tax-exempt corporation headquartered in Washington, D.C. RFF was established in October 1952, with the cooperation of the Ford Foundation. RFF's mission is to improve environmental, energy, and natural resource decisions through impartial economic research and policy engagement. Subsequent to year end, the Executive Committee authorized and directed management to establish two District of Columbia Limited Liability Companies (see Note 16).

Basis of presentation: Net assets and revenue, gains and losses are classified based upon the existence or absence of donor imposed restrictions. Accordingly, the net assets of RFF and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by RFF undertaking specific project activities and/or the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of RFF.

Basis of accounting: The financial statements are prepared on the accrual basis of accounting.

Cash and cash equivalents: RFF classifies all highly liquid investments, with original maturities of less than ninety days, as cash equivalents. RFF maintains cash balances which may exceed federally insured limits. RFF does not believe that this results in any significant credit risk.

Grants and contract revenue receivable: Grants and contracts receivable are recorded when the service is rendered or when expenses are incurred for federal programs. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. This balance is deemed fully collectible and therefore no allowance for doubtful accounts was deemed necessary as of September 30, 2017 and 2016.

Resources for the Future, Inc.

Notes to Financial Statements

Contributions receivable: Contributions receivable are recorded when there is an unconditional pledge and amounts due after one year are discounted to present value at the risk adjusted rate determined at the time of the pledge. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive cost are written off to the allowance for doubtful accounts. All balances are considered fully collectible and therefore no allowance for doubtful accounts was deemed necessary as of September 30, 2017 and 2016.

Investments: Investments in marketable securities are presented at fair value. Hedge funds are valued at the net asset value (NAV) as reported by the fund managers and reviewed by RFF. Fair values of alternative investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Because of the inherent uncertainty of valuation, the estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

All marketable securities are considered investments rather than cash equivalents, even though the maturities at the time of acquisition for certain of these securities were less than ninety days. Money market accounts are valued at cost, which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Management classifies interest and dividend income as components of operating income, while realized and unrealized gains and losses on investments are considered non-operating income.

RFF values certain investments in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Resources for the Future, Inc.

Notes to Financial Statements

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments not included within the fair value hierarchy are measured at NAV as a practical expedient to estimate fair value.

Fixed assets: Fixed asset purchases of \$500 or more for furniture and equipment and \$1,000 or more for building and tenant improvements are carried at cost and depreciated using the straight-line method over their estimated useful lives which are as follows:

Furniture	10 years
Equipment and software	3-5 years
1616 P Street building	39.5 years
Tenant improvements	10 years

Tax-exempt bond financing: RFF obtained permanent financing on the 1616 P Street building through the issuance of tax-exempt bond financing in August 1998. The bond payable has a variable interest rate which averaged 2.41% and 1.53% for the years ended September 30, 2017 and 2016, respectively. See Note 12.

Split-interest agreements: RFF values the annuity obligations using actuarial estimates that approximate the present value of the obligations.

Funds held for others: RFF manages a donor-advised fund. Assets of the fund are included in the investments as the Gift fund and the matching liability is included as funds held for others on the Statements of Financial Position. The fund is designed to provide donors with the opportunity to make contributions which qualify for income tax charitable deductions in the current period and then recommend distributions from the fund to RFF and other qualified tax-exempt organizations in future periods.

Revenue and expense recognition: Revenue from program grants and contracts is recognized in amounts equal to total reimbursable direct and indirect costs. Unconditional contributions are recognized when the pledge is received. Amounts received in advance are deferred.

Rental income is recognized straight-line over the period of the lease.

Resources for the Future, Inc.

Notes to Financial Statements

Expenses are recorded when incurred. Grants awarded by RFF are expensed at the time of approval by the Directors or the President.

Allocation of indirect costs: The costs of providing the various programs and other activities are presented on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

<i>Allocated Expenses</i>	<i>Basis for Allocation</i>
Employee benefits	Total salaries
Occupancy	Total salaries and benefits
Research support	Research salaries and benefits
Management and administration	Total direct costs

Income taxes: RFF is exempt from federal income taxation as described in Internal Revenue Code Section 501(c)(3) and is classified as a publicly supported organization.

Uncertainties in income taxes: RFF evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of September 30, 2017 and 2016, there are no accruals for uncertain tax positions. If applicable, RFF records interest and penalties as a component of income tax expense. Tax years from 2014 through the current year remain open for examination by tax authorities.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of the statement of financial position, and revenue and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent events: Management has evaluated subsequent events for disclosure in the financial statements through February 6, 2018, which is the date the financial statements were available to be issued. See Note 16 for disclosure of these events.

Resources for the Future, Inc.

Notes to Financial Statements

2. Investments The following is a summary of the investment portfolio by security type as of September 30,:

	2017	2016
Operating fund		
Money market accounts	\$ 6,892	\$ 30,506
Reserve fund		
Money market accounts	1,312,865	74,452
Domestic equity emerging markets	14,033,477	12,807,876
International equity emerging markets	9,353,139	10,135,126
Global allocation funds	-	6,247,878
Fixed income – convertible securities funds	9,681,003	6,353,770
Commodities funds	-	4,166,006
Alternative funds	21,878,154	11,947,167
Private placement	30,351	30,468
Equity exchange traded funds	8,069	1,735,104
Total reserve fund	56,297,058	53,497,847
Gift fund		
Money market accounts	7,008	22,391
Mutual fund – domestic	68,219	7,486
Mutual fund – international	42,988	34,965
Mutual fund – fixed income	53,899	-
Total gift fund	172,114	64,842
Total investment portfolio	\$ 56,476,064	\$ 53,593,195

Investment income for the years ended September 30 is as follows:

	2017	2016
Operating		
Interest and dividends	\$ 1,560,270	\$ 1,761,302
Investment and custodial fees	(267,704)	(451,798)
Operating investment income	1,292,566	1,309,504
Non-operating		
Realized gain on investment transactions	2,993,636	18,036
Unrealized gain on investment transactions	2,751,583	2,515,064
Non-operating investment income	5,745,219	2,533,100
Total investment income	\$ 7,037,785	\$ 3,842,604

Resources for the Future, Inc.

Notes to Financial Statements

3. **Fair value** The fair value of assets and liabilities as of September 30, 2017 is as follows:

September 30, 2017	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment portfolio:				
Money market	\$ 1,326,765	\$ 1,326,765	\$ -	\$ -
Mutual fund – domestic	68,219	68,219	-	-
Mutual fund – international	42,988	42,988	-	-
Mutual fund – fixed income	53,899	53,899	-	-
Domestic equity emerging markets	14,033,477	14,033,477	-	-
International equity emerging markets	9,353,139	9,353,137	-	-
Fixed income funds	9,681,003	9,681,003	-	-
Private placement	30,351	-	-	30,351
Equity exchange traded funds	8,069	8,069	-	-
Total assets within the fair value hierarchy	34,597,910	34,567,559	-	30,351
Investments valued at net asset value ^(a)	21,878,154			
Total investment portfolio	56,476,064			
Assets held under trust:				
Money market	2,014	2,014	-	-
Mutual fund – domestic	185,071	185,071	-	-
Mutual fund – international	47,143	47,143	-	-
Mutual fund – fixed income	110,959	110,959	-	-
Total assets held under trust	345,187	345,187	-	-
Split interest obligation	(196,702)	-	-	(196,702)
Total fair value	\$ 56,624,549	\$ 34,912,746	\$ -	\$ (166,351)

Resources for the Future, Inc.

Notes to Financial Statements

The fair value of assets and liabilities as of September 30, 2016 is as follows:

September 30, 2016	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment portfolio:				
Money market	\$ 127,349	\$ 127,349	\$ -	\$ -
Mutual fund – domestic	7,486	7,486	-	-
Mutual fund – international	34,965	34,965	-	-
Domestic equity emerging markets	12,807,876	12,807,876	-	-
International equity emerging markets	10,135,126	10,135,126	-	-
Global allocation funds	6,247,878	6,247,878	-	-
Fixed income funds	6,353,770	6,353,770	-	-
Commodities funds	4,166,006	4,166,006	-	-
Private placement	30,468	-	-	30,468
Equity exchange traded funds	1,735,104	1,735,104	-	-
Total assets within the fair value hierarchy	41,646,028	41,615,560	-	30,468
Investments valued at net asset value ^(a)	11,947,167			
Total investment portfolio	53,593,195			
Assets held under trust:				
Money market	3,118	3,118	-	-
Mutual fund – domestic	167,558	167,558	-	-
Mutual fund – international	63,433	63,433	-	-
Mutual fund – fixed income	91,643	91,643	-	-
Total assets held under trust	325,752	325,752	-	-
Split interest obligation	(193,339)	-	-	(193,339)
Total fair value	\$53,725,608	\$41,941,312	\$ -	\$ (162,871)

Resources for the Future, Inc.

Notes to Financial Statements

(a) In accordance with ASU 2015-07, certain investments that were measured at net asset per share (or its equivalent) as of September 30, 2017 and 2016 have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statements of Financial Position.

Level 1 values were developed utilizing quoted prices in active markets.

Level 3 values for private placement investments were developed based on RFF's determination of fair value based upon the best available information and may incorporate management assumptions and best estimates after considering a variety of internal and external factors.

Level 3 values for split-interest obligations are developed utilizing actuarial calculations that approximate their present fair value.

A reconciliation of beginning and ending balances of investments valued using significant unobservable (Level 3) inputs for the year ended September 30, 2017 is as follows:

	Balance at September 30, 2016	Total realized gains or losses	Total unrealized gains or losses	Purchases and issuances	Sales and settlements	Balance at September 30, 2017
Private placement						
Hicks						
Muse	\$ 30,468	\$ -	\$ (117)	\$ -	\$ -	\$ 30,351
Split interest obligation	\$(193,339)	\$(22,304)	\$(8,397)	\$ 6,908	\$ 20,430	\$(196,702)

4. Investments measured at net asset value

RFF's determination of fair value is based upon the best available information and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. The values generally represent the RFF's proportionate share of the fund's capital as reported by the general partners of the fund. RFF has decided through monitoring the valuation methodologies and practices of managers to rely on the fair values reported by the fund managers, unless information becomes available indicating the reported NAV may require adjustment. RFF assessed factors including, but not limited to, the external advisor's adherence to fair value principles in calculating the capital account balance, RFF's

Resources for the Future, Inc.

Notes to Financial Statements

ability to redeem these investments at NAV at the measurement date, and the existence or absence of certain restrictions at the measurement date. RFF believes the reported amount of the alternative investments is a reasonable estimate of fair value as of September 30, 2017 and 2016. RFF has no plans to sell the investments for a value other than the NAV as of September 30, 2017.

Investments measured at net asset value as of September 30, 2017 and 2016 are as follows:

September 30, 2017	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity hedge fund A	\$ 2,529,538	\$ -	Semiannually	95 days
Equity hedge fund B	3,203,843	-	Annually	90 days
Master/feeder fund A	1,717,418	-	Annually	Before September 15
Master/feeder fund B	1,239,698	-	Must be negotiated	Must be negotiated
Fund of funds B	1,000,000	-	Must be negotiated	Must be negotiated
Equity hedge fund C	1,514,487	-	Must be negotiated	Must be negotiated
Master/feeder fund D	2,702,567	-	Monthly	45 days
Master/feeder fund E	2,321,204	-	Quarterly	65 days
Master/feeder fund F	2,009,629	-	Quarterly	30 days
Master/feeder fund G	2,104,430	-	Quarterly	60 days
Fund of funds C	1,535,340	-	Must be negotiated	Must be negotiated
Total	\$ 21,878,154	\$ -		

Resources for the Future, Inc.

Notes to Financial Statements

September 30, 2016	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity hedge fund A	\$ 3,425,242	\$ -	Semiannually	95 days
Equity hedge fund B	2,465,502	-	Annually	90 days
Master/feeder fund A	3,035,315	-	Annually	Before September 15
Master/feeder fund B	965,652	-	Must be negotiated	Must be negotiated
Fund of funds A	2,055,456	-	Quarterly	45 days
Total	\$ 11,947,167	\$ -		

The fund managers' strategy is to build low volatility portfolios that employ market neutral or market uncorrelated investment strategies that offer risk adjusted returns. The alternative investments held through equity hedge funds incorporate multiple strategies to diversify risk including convertible bond arbitrage, credit opportunities, purchase or short sale of distressed securities, event-driven investing, global derivatives, debentures, and commercial paper. The master/feeder funds have strategies which include investing in private companies, debt securities, physical commodities, credit default swaps, and opportunistic investments. The fund of funds has a strategy which includes investing in directional equity, macro fund investments, and event driven investments.

5. Risks and uncertainties

RFF holds investments in various securities and alternative investments that are exposed to risks, such as interest rate, credit, and overall volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future statements of financial position.

6. Contributions receivable

At September 30, 2017 and 2016, RFF had unconditional contributions receivable that included amounts due in:

	2017	2016
Less than one year	\$ 1,519,009	\$ 2,688,983
One to five years	597,000	465,000
Fifteen to twenty years	1,000,000	1,000,000
Contributions receivable before discount	3,116,009	4,153,983
Present value discount	(418,058)	(452,033)
Contributions receivable	\$ 2,697,951	\$ 3,701,950

Resources for the Future, Inc.

Notes to Financial Statements

The receivables due in one year or more have been discounted to their present value using a risk adjusted rate of 6.20% determined at the time of pledge. Changes in the present value discount are recorded as contribution revenue and are included in general support and contributions on the accompanying Statements of Activities and Changes in Net Assets.

7. Fixed assets Fixed assets consisted of the following as of September 30,:

	2017	2016
Building - 1616 P Street	\$ 10,505,598	\$ 10,313,563
Building improvements	1,478,804	1,478,804
Furniture and equipment	2,079,558	1,965,792
Fixed assets	14,063,960	13,758,159
Accumulated depreciation	(6,838,095)	(6,308,841)
Fixed assets, net	\$ 7,225,865	\$ 7,449,318

Depreciation expense is included on the accompanying Statements of Functional Expense as follows for the years ending September 30,:

	2017	2016
Building and related improvement depreciation included in occupancy expense	\$ 290,534	\$ 265,478
Computer and telephone system depreciation included in research expense	102,188	100,591
Furniture and equipment depreciation	142,235	142,381
Total depreciation expense	\$ 534,957	\$ 508,450

8. Retirement plan RFF employees are eligible for participation in RFF's defined contribution retirement program, which is invested in individual retirement contracts at TIAA-CREF, insurance companies or USI Consulting Group. Individual contracts issued under the plan provide for full and immediate vesting of both RFF and participant contributions. RFF's contributions amounted to \$785,289 and \$865,091 for the years ended September 30, 2017 and 2016, respectively.

Resources for the Future, Inc.

Notes to Financial Statements

- 9. Postretirement benefits other than pensions** Employees who retire under RFF's retirement plan with a minimum of five years of service are covered by RFF's medical plan at one year for every two completed years of service. Benefits are provided to eligible retirees after age 63 and to their dependents. RFF accrues the expected costs of such benefits during a portion of the employees' years of service. RFF's postretirement benefit obligations under this plan as of September 30, 2017 and 2016 were estimated to be \$857,000 and \$619,315, respectively, and these amounts are included in the accompanying Statements of Financial Position. The obligation was determined utilizing assumptions of a 4% inflation factor and a discount rate of 4% for the year ended September 30, 2017. The obligation was determined utilizing assumptions of a 1% inflation factor and a discount rate of 4% for the year ended September 30, 2016. There are no separate plan assets associated with these liabilities. The plan expenses for the years ended September 30, 2017 and 2016 were as follows:

	2017	2016
Service costs	\$ 196,624	\$ -
Projected interest cost	41,060	18,323
Net periodic cost	\$ 237,684	\$ 18,323

Actual payments made under the plan were \$17,968 and \$1,947 for the years ended September 30, 2017 and 2016, respectively.

Benefits expected to be paid in each of the next five years are approximately as follows:

Year Ending September 30,	Amount
2018	\$ 28,080
2019	57,325
2020	56,243
2021	56,153
2022	62,049

Resources for the Future, Inc.

Notes to Financial Statements

10. Split interest agreements

RFF enters into split interest arrangements whereby donations are held in trust by RFF and invested. A percentage of the original funds, at a rate determined at the inception of the trust, is payable to the donor for a specified period of time or until the donor's death, after which time RFF may use the investments for operations or a restricted use specified by the donor. RFF is the trustee of two charitable remainder unitrusts (CRT's) where they have the charitable remainder interest. RFF utilizes an IRS-approved annuity table to actuarially calculate the liability associated with the estimated donor payments under these arrangements. RFF determined the discount rate to be used in the month the split interest arrangements were entered into with the donor and these rates have ranged from 5.4% to 6.5%. The present value of the actuarially determined liability resulting from these gifts was recorded at the date of the gift and adjusted annually thereafter which approximates fair value. The combined trust assets as of September 30, 2017 and 2016 are as follows:

	2017	2016
Money market accounts	\$ 2,014	\$ 3,118
Mutual fund – domestic	185,071	167,558
Mutual fund – international	47,143	63,433
Mutual fund – fixed income	110,959	91,643
Assets held under charitable trust agreements	\$ 345,187	\$ 325,752

The trust assets are Level 1 investments (see Note 3). The estimated present value of liabilities under the CRT are reflected as liabilities under split-interest agreements in the accompanying Statements of Financial Position.

11. Line of credit

During 2010, RFF entered into a revolving line of credit agreement. This line had no maturity date and no formal repayment terms. Amounts available are based on the margin release of investments held (between 30-50%) and bore interest at the London Interbank Offering Rate plus a client spread (totaling 3.70% at September 30, 2016). At September 30, 2016, \$1,000,000 was available. The line was collateralized by a portion of RFF's investment portfolio which totaled \$3,911,170 as of September 30, 2016. No amounts were outstanding on the line of credit at September 30, 2016. During the year ended September 30, 2017, the line of credit was closed.

Subsequent to year end, RFF entered into a new liquidity access line agreement against their investment holdings (See Note 16).

Resources for the Future, Inc.

Notes to Financial Statements

12. Tax exempt bond financing

RFF obtained permanent financing on the 1616 P Street building through the issuance of District of Columbia Variable Rate Revenue Bonds, Series 1998. The interest rate on these bonds was determined weekly by a remarketing agent. The average interest rate for the years ended September 30, 2017 and 2016 was 2.41% and 1.53%, respectively. For the years ended September 30, 2017 and 2016, interest expense relating to the tax-exempt financing was \$107,587 and \$72,847, respectively, which is included as part of 1616 P Street Operations and Maintenance expense in the accompanying Statements of Functional Expenses.

To support the Series 1998 bonds, RFF had an Irrevocable Letter of Credit from Citibank in the amount of \$7,405,600. This letter of credit was evergreen as it automatically renewed every year. It was secured by a first priority security interest in the building and fixtures, located at 1616 P Street, N.W., Washington, D.C. and the assignment of all leases.

Subsequent to year end, these bonds were redeemed and RFF obtained financing for a new and separate bond issuance (See Note 16).

13. Temporarily restricted net assets

Temporarily restricted net assets are restricted for the following program areas as of September 30, 2017 and 2016:

	2017			
	Temporarily Restricted Funds as of September 30, 2016	Contributions, Grants and Gain on Investments	Satisfaction of Temporary Restrictions	Temporarily Restricted Funds as of September 30, 2017
Energy and Climate Program	\$ 2,310,000	\$ 2,069,570	\$ 3,097,140	\$ 1,282,430
Other Research Programs	2,862,270	2,139,389	1,965,059	3,036,600
Total	\$ 5,172,270	\$ 4,208,959	\$ 5,062,199	\$ 4,319,030

	2016			
	Temporarily Restricted Funds as of September 30, 2015	Contributions, Grants and Gain on Investments	Satisfaction of Temporary Restrictions	Temporarily Restricted Funds as of September 30, 2016
Energy and Climate Program	\$ 2,486,672	\$ 2,596,148	\$ 2,772,820	\$ 2,310,000
Other Research Programs	1,468,641	2,551,580	1,157,951	2,862,270
Total	\$ 3,955,313	\$ 5,147,728	\$ 3,930,771	\$ 5,172,270

Resources for the Future, Inc.

Notes to Financial Statements

14. Permanently restricted net assets

Permanently restricted net assets are held in perpetuity. The income is used to fund certain chairs, which as of September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Gaskins chair	\$ 2,000,000	\$ 2,000,000
Starr chair	2,004,047	2,004,047
Klutznick chair	1,422,710	1,422,710
Krutilla chair	139,650	139,650
Landsberg chair	31,135	31,135
Kneese chair	325,365	325,365
Forestry chair	566,500	566,500
Total	\$ 6,489,407	\$ 6,489,407

RFF's endowment consists of permanently restricted contributions established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of the Relevant Law

RFF's management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary and as allowing RFF to appropriate funds for expenditure as RFF determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor. As a result of this interpretation, RFF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Resources for the Future, Inc.

Notes to Financial Statements

In accordance with UPMIFA, RFF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

The change in endowment net assets for the year ended September 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 30, 2016	\$ -	\$ 106,359	\$ 6,489,407	\$ 6,595,766
Contributions	-	-	-	-
Expenditures	-	(266,471)	-	(266,471)
Investment gain	-	852,180	-	852,180
Endowment net assets at September 30, 2017	\$ -	\$ 692,068	\$ 6,489,407	\$ 7,181,475

The change in endowment net assets for the year ended September 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at September 30, 2015	\$ (46,147)	\$ -	\$ 6,489,357	\$ 6,443,210
Contributions	-	-	50	50
Expenditures	-	(266,471)	-	(266,471)
Investment loss	46,147	372,830	-	418,977
Endowment net assets at September 30, 2016	\$ -	\$ 106,359	\$ 6,489,407	\$ 6,595,766

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA as of September 30, 2017 and 2016 is \$6,489,407 and \$6,489,407, respectively.

Resources for the Future, Inc.

Notes to Financial Statements

Underwater Endowment Funds - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial gift amounts (underwater). When underwater endowment funds exist, they are classified as a reduction of unrestricted net assets.

Return Objectives and Risk Parameters - RFF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period and board designated funds. RFF's investment policy aims to return an amount equal to 5% plus inflation to maintain the real value of the fund.

Strategies Employed for Achieving Objectives - The Finance Committee evaluates, selects and monitors one or more investment managers to directly manage RFF's investment portfolio of assets within general guidelines provided.

Spending Policy and How the Investment Objectives Relate to Spending Policy - RFF's spending policy is 5% of the average market value of the funds over the past two and one half years.

15. Operating leases

RFF owns the office building at 1616 P Street, N.W., in Washington, D.C. RFF occupies almost 40% of the building and leases the balance of the office space to other like-purpose 501(c)(3) organizations. These operating leases expire in various years through fiscal year 2029.

Future minimum payments receivable as of September 30, 2017 are listed below:

Year ending September 30,	Amount
2018	1,034,818
2019	899,986
2020	595,693
2021	555,754
2022	554,271
Thereafter	3,940,387
Total	\$ 7,580,909

Total lease revenue for the 1616 P Street office building was \$1,556,559 and \$1,645,914 for the years ended September 30, 2017 and 2016, respectively.

Resources for the Future, Inc.

Notes to Financial Statements

The land at 1616 P Street is owned by an unrelated party. RFF is currently leasing the land under a 99-year lease at a rate of \$242,000 per year. The lease commenced January 1, 1986 and has a remaining term of 69 years. The future minimum lease payments are as follows as of September 30, 2017:

Year ending September 30,	Amount
2018	\$ 242,000
2019	242,000
2020	242,000
2021	242,000
2022	242,000
Thereafter	15,246,000
Total	\$ 16,456,000

Total rent expense was \$242,004 for each of the years ending September 30, 2017 and 2016. The rental agreement had a reset date in fiscal year 2018 at which time the annual payment amount could change. Subsequent to year end, the land was revalued and the terms of the lease were adjusted and will be effective as of April 2018. The new monthly payment will increase to \$58,437. See Note 16 for subsequent land acquisition option.

16. Subsequent events

In November 2017, RFF established two District of Columbia Limited Liability Companies, to be known as 1616 P LandCo, LLC and 1616 P OpCo, LLC, of which RFF is the sole member. 1616 P LandCo, LLC exists for the limited purpose of acquiring and holding title to property purchases and leasing the property to RFF, and 1616 P OpCo, LLC, exists for the limited purpose of leasing property to tenants (See Note 1).

In December 2017, RFF entered into a liquidity access line agreement against a portion of their investment holdings. The amount of the access line was initially established at \$10,000,000 and will be adjusted daily based on the market value of securities held in collateral accounts, and bears interest at the 30-day London Interbank Offering Rate plus 100 bps. The line has no set due date and remains in effect until transferred or paid (See Note 11).

Resources for the Future, Inc.

Notes to Financial Statements

On December 28, 2017 RFF obtained new bank-qualified tax-exempt financing on the 1616 P Street building, and for use for land acquisition and certain capital projects through the issuance of District of Columbia Variable Rate Revenue Bonds, Series 2017, valued at \$23,400,000. The initial interest rate set on the bonds is 2.55% per annum. This redeemed all outstanding Series 1998 Bonds at the principal amount of \$4,310,000 plus accrued interest of \$4,689 (See Note 12).

To support the Series 2017 Bonds, RFF obtained a Term Loan from Access National Bank in the amount of \$23,400,000. The outstanding principal on the term loan shall bear interest at the initial bond rate of 2.55% per annum. It is secured by a first priority security interest in the building and fixtures, located at 1616 P Street, N.W., Washington, D.C. and the assignment of all leases. Future principal payments on the term loan are as follows: \$347,000 payable in 2020, \$532,000 payable in 2021, \$546,000 payable in 2022, and \$21,975,000 payable thereafter, with the principal balance due in entirety January 1, 2050 (See Note 12).



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Independent Auditor's Report on Supplementary Information

Board of Directors
Resources for the Future, Inc.
Washington, D.C.

We have audited the financial statements of **Resources for the Future, Inc.** as of and for the years ended September 30, 2017 and 2016, and our report thereon dated February 6, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 3. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Dissertation Awards and Schedule of Determination of Cost Recovery Rates 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Rockville, Maryland
February 6, 2018

Resources for the Future, Inc.

Schedule of Dissertation Awards

<i>Year Ended September 30, 2017</i>	Balance at September 30, 2016	Grants Awarded	Payments Made	Balance at September 30, 2017
Dissertation awards program				
Josh Blonz "Essays in Energy Economics"	\$ 1,500	\$ -	\$ (1,500)	\$ -
Robert T. Fetter "Firm Learning and Regulation in Emerging Technologies"	13,500	-	(13,500)	-
Catherine Hausman "Rate of Return Regulation and Environmental Externalities: Evidence from Natural Gas"	4,126	-	(4,126)	-
Brian Prest "Essays in Energy and Environmental Economics"	-	18,000	(4,500)	13,500
Miguel Castro Abril "The Dynamic Value of Intermittent Renewable Energy"	-	6,446	(3,223)	3,223
Louis Preonas "Three Essays in Energy Economics"	-	11,120	-	11,120
Peter Maniloff "Citizen Monitoring of Environment Regulations"	-	5,500	(1,375)	4,125
	\$ 19,126	\$ 41,066	\$ (28,224)	\$ 31,968

Refer to accompanying Independent Auditor's Report on Supplementary Information.

Resources for the Future, Inc.

Schedule of Determination of Cost Recovery Rates

Year Ended September 30, 2017

Management and administration rate	
Management and administration costs	\$ 2,176,431
Determination of direct cost base	
Total program costs plus building operations before allocation	\$ 11,373,567
Plus fundraising costs before allocation	858,211
Total direct cost base	\$ 12,231,778
Management and administration rate	17.79%
Regular fringe benefits rate	
Regular benefits	\$ 1,525,324
Regular salaries	\$ 6,000,861
Regular fringe benefits rate	25.42%
Research assistant fringe benefits rate	
Research assistant benefits	\$ 94,097
Research assistant salaries	\$ 595,471
Research assistant fringe benefits rate	15.80%
Research support rate	
Research support expenses	\$ 1,713,230
Research salaries and benefits	\$ 3,140,209
Research support rate	54.56%
Program research support rate	
Program research support expenses	\$ 76,509
Program research salaries and benefits	\$ 382,543
Program research support rate	20.00%
Occupancy rate	
Occupancy expense	\$ 648,000
Salaries and benefits	\$ 8,609,871
Occupancy rate	7.53%

Refer to accompanying Independent Auditor's Report on Supplementary Information.



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

Board of Directors
Resources for the Future, Inc.
Washington, D.C.

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Rockville, Maryland 20850

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Resources for the Future, Inc.** (the "Organization") (a nonprofit organization), which comprise the Statement of Financial Position as of September 30, 2017, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Resources for the Future, Inc.**'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Resources for the Future, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

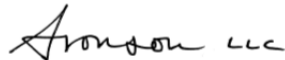
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rockville, Maryland
February 6, 2018



Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Resources for the Future, Inc.
Washington, D.C.

Report on Compliance for the Major Federal Program

We have audited **Resources for the Future, Inc.**'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of **Resources for the Future, Inc.**'s major federal programs for the year ended September 30, 2017. **Resources for the Future, Inc.**'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Resources for the Future, Inc.**'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Resources for the Future, Inc.**'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Resources for the Future, Inc.**'s compliance.

Independent Auditor’s Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

Opinion on the Major Federal Program

In our opinion, **Resources for the Future, Inc.** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of **Resources for the Future, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Resources for the Future, Inc.’s** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Resources for the Future, Inc.’s** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Aronson LLC

Rockville, Maryland
February 6, 2018

Resources for the Future, Inc.

Schedule of Expenditures of Federal Awards

<i>Year Ended September 30, 2017</i>	Federal CFDA or ID Number	Total Grant or Contract Awarded	Passed Through to Subrecipients	Total 2017 Federal Expenditures
Federal Grantor/Pass-Through Grantor/Program Title				
Research and Development Cluster:				
National Oceanic and Atmospheric Administration				
North Pacific Research Board				
Socioeconomic Impacts of Fisheries Management	11.472	\$ 197,765	\$ -	\$ 6,534
ECS Federal				
Dynamic Evolution of Alaska Fishing	EA-133F-14-BA-0013	44,500	-	44,395
Total Indirect National Oceanic and Atmospheric Administration		242,265	-	50,929
U.S. Department of Energy				
National Renewable Energy Laboratory				
Mapping of Energy Futures	DE-AC02-05CH11231	124,706	-	885
Advancing Innovation Decision	DE-AC02-05CH11231	60,112	-	57,222
National Renewable Energy Laboratory				
Analysis of Distributional Impacts	DE-AC36-08GO28308	199,113	-	90,748
Total Direct U.S. Department of Energy		383,931	-	148,855
National Academy of Sciences NAS (DOE)				
Social Cost of Carbon	81.000	190,574	-	70,401
Total Direct & Indirect U.S. Department of Energy		574,505	-	219,256
U.S. Environmental Protection Agency				
ABT Associates (EPA)				
Exploring Alternatives to "VSL"	EP-W-11-003	13,198	-	13,086
Conservation Recognizing Landmark Contributions	EP-W-11-003	16,882	-	16,818
University of South Florida (EPA)				
RAIN Management	66.509	421,623	-	75,009
Applied Planning Corp. (EPA)				
Water Quality Standards	47358	17,210	-	2,466
Georgia Tech University (EPA)				
Integrated Analysis of Land Use	66.509	75,655	-	31,087
Total Indirect U.S. Environmental Protection Agency		544,568	-	138,466
U.S. Health & Human Services Department				
Chenega (FDA)				
Subject Matter Expert Support	HSSF22320160630A	27,393	-	26,523
Total Direct & Indirect U.S. HHS		27,393	-	26,523
U.S. Department of Interior - USGS				
Modeling for Carbon Storage & Water Quality	G14PX00773	142,000	-	23,236
Total Direct U. S. Department of Interior		142,000	-	23,236

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Resources for the Future, Inc.

Schedule of Expenditures of Federal Awards

<i>Year Ended September 30, 2017</i>	Federal CFDA or ID Number	Total Grant or Contract Awarded	Passed Through to Subrecipients	Total 2017 Federal Expenditures
National Science Foundation				
Energy Economics Research	47.075	196,847	-	51,553
Energy Security Benefits	47.075	229,820	-	166,400
North American Oil & Gas Workshops	47.075	131,180	-	52,058
Energy Security Literature Review	47.075	301,499	-	147,586
System Analysis in the Electricity Sector	47.075	187,280	-	152,073
Energy Security & Electricity Editing	47.075	69,598	-	43,771
Implications of Electric Generating	47.075	89,527	-	84,386
Energy Security of Premature Coal	47.075	112,934	-	112,561
Climate Resilience System Analysis	47.075	31,530	-	31,530
Sustainable & Efficient Energy Production	47.075	173,251	-	49,530
Total Direct National Science Foundation		1,523,466	-	891,448
University of Maryland-College Park (NSF)				
Socio-Environmental Synthesis Center	DBI-1052875	839,442	-	42,289
Environmental Synthesis Center (SESYNC) 2017	DBI-1052875	317,392	-	165,514
The Johns Hopkins University (NSF)				
Hazard SEES Type 2	2001984564	517,417	-	110,899
University of Tennessee (NSF)				
CNH-Ex: Synergies & Feedbacks	47.074	40,000	-	34,657
Northern Arizona University (NSF)				
CNH-L Scale-Dependent Feedbacks Among Protected Areas	47.074	219,123	-	40,796
Total Direct & Indirect National Science Foundation		3,456,840	-	1,285,603
National Aeronautics Space Agency				
Anchoring and Black Swans	NNX15AC03G	88,792	-	6,423
VALUABLES	43.001	512,937	-	155,490
VALUABLES - Communications	43.001	248,427	-	62,848
GRACE	NNX17AD72D	158,988	-	33,606
Earth Observation to Improve Redd + Policy	NNX12AR57G	998,998	-	94,742
Valuing and Enabling	NNX17AD55G	256,000	-	126,859
Total Direct National Aeronautics Space Agency		2,264,142	-	479,968
U.S.D.A./Forest Service				
Bioeconomic Modeling for Invasive Species	14-8130-0449-CA	365,491	-	125,991
Reducing Pest & Pathogen Invasion	17-JV-11242303-071	15,000	-	2,012
Gains from Synchronizing Conservation Activities	17-JV-11242303-071	499,997	-	45,844
Total Direct U.S.D.A./Forest Service		880,488	-	173,847
University of California (USDA)				
Ecosystems Assessments Workshops: Phase I & II	JV-11261975-104	150,000	-	46,438
Texas Tech (USDA)				
The Importance of Water Resources	10.310	228,820	-	36,118
Total Direct and Indirect U.S.D.A./Forest Service		1,259,308	-	256,403
Department of Homeland Security				
University of Colorado (FEMA)				
ROI for Measures to Increase Community Resilience	N/A	154,000	-	78,988
Total Indirect FEMA Funds		154,000	-	78,988
Total Research and Development Cluster Federal Expenditures		\$ 8,665,021	\$ -	\$ 2,559,372

The accompanying Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Resources for the Future, Inc.

Notes to Schedule of Expenditures of Federal Awards

-
- 1. Basis of presentation** The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Resources for the Future, Inc. under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Resources for the Future, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Resources for the Future, Inc.
- 2. Summary of significant accounting policies** Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 3. Indirect cost rate** The Company has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

- 3. Reconciliation of revenue** The reconciliation of the Schedule of Expenditures of Federal Awards to the Statement of Activities and Changes in Net Assets is as follows:

Schedule of Expenditures of Federal Awards	\$	2,559,372
Fixed price and state government awards		302,973
Other institutions		475,694
Private restricted funding		3,356,779
Total program grants and contracts		\$ 6,694,818

Resources for the Future, Inc.

Schedule of Findings and Questioned Costs

For The Year Ended September 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(s) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(s) identified? yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 yes X no

Identification of Major Programs:

CFDA or ID Number

Research and Development Cluster
11.472, 81.000, 66.509, 47.075, 47.074, 43.001, 10.310
EA-133F-14-BA-0013, DE-AC36-08GO28308
DE-AC02-05CH11231, EP-W-11-003
G14PX00773, DBI-1052875
2001984564, 47358
NNX15AC03G, NNX12AR57G
NNX17AD72D, NNX17AD55G
14-8130-0449-CA, 2012-JV-11261975-104
17-JV-11242303-071, HSSF22320160630A

Federal Grantor

NOAA, DOE, EPA, HHS, USGS, NSF,
NASA, USDA/Forest Service, FEMA

Resources for the Future, Inc.

Schedule of Findings and Questioned Costs (Continued)

For The Year Ended September 30, 2017

Section I - Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between type A
and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Prior Year Findings

None