

**RURAL DEVELOPMENT INSTITUTE**

**AUDITED FINANCIAL STATEMENTS**

JUNE 30, 2009 and 2008

## C O N T E N T S

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
STATEMENTS OF FINANCIAL POSITION .....	2
STATEMENTS OF ACTIVITIES .....	3
STATEMENTS OF CASH FLOWS .....	4
NOTES TO FINANCIAL STATEMENTS .....	5 - 10
<b>SUPPLEMENTARY DATA</b>	
FUNCTIONAL ALLOCATION OF EXPENSES .....	12
ALLOCATION OF RESOURCES BY PROGRAM AREA .....	13



CERTIFIED PUBLIC ACCOUNTANTS

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SEATTLE, WASHINGTON 98101

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Rural Development Institute  
Seattle, Washington

We have audited the accompanying statements of financial position of Rural Development Institute as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Rural Development Institute's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Development Institute as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information (pages 12-13) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/S/ PETERSON SULLIVAN LLP

October 14, 2009

# RURAL DEVELOPMENT INSTITUTE

## STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

ASSETS	2009	2008
Current Assets		
Cash and cash equivalents	\$ 830,109	\$ 2,230,562
Investments (Note 2)	1,944,445	-
Pledges receivable (Note 3)	407,347	832,000
Grants, contracts, and other receivables	384,801	312,163
Prepaid expenses	130,249	93,066
Total current assets	3,696,951	3,467,791
Long-term Pledges Receivable (Note 3)	541,097	877,138
Long-term Investments (Note 2)	2,440,555	3,142,520
Property and Equipment, at cost, less accumulated depreciation (Note 4)	8,168	-
Total assets	<u>\$ 6,686,771</u>	<u>\$ 7,487,449</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 154,131	\$ 153,931
Accrued expenses	134,627	135,806
Total current liabilities	288,758	289,737
Net Assets		
Unrestricted	1,021,649	868,850
Temporarily restricted (Note 5)	5,376,364	6,328,862
Total net assets	6,398,013	7,197,712
Total liabilities and net assets	<u>\$ 6,686,771</u>	<u>\$ 7,487,449</u>

See Notes to Financial Statements

## RURAL DEVELOPMENT INSTITUTE

### STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
Grants and contract revenue	\$ 970,051	\$ -	\$ 970,051	\$ 910,439	\$ -	\$ 910,439
Contributions	789,708	1,526,998	2,316,706	728,053	4,905,884	5,633,937
In-kind contributions (Note 1)	253,074		253,074	136,322		136,322
Interest and other revenue	134,898	8,126	143,024	27,871		27,871
Net assets released from restrictions	2,487,622	(2,487,622)		1,305,776	(1,305,776)	
Total support and revenue	4,635,353	(952,498)	3,682,855	3,108,461	3,600,108	6,708,569
<b>Expenses</b>						
Salaries and related payroll costs	2,261,684		2,261,684	1,572,542		1,572,542
Travel, program operations, and strategic design	1,071,550		1,071,550	630,077		630,077
Foreign affiliate payments	292,846		292,846	226,243		226,243
Occupancy and related costs	184,332		184,332	121,381		121,381
Media, printing and print materials	80,345		80,345	88,052		88,052
Other office expenses	103,828		103,828	71,814		71,814
Domestic and international human resource costs	92,390		92,390	41,762		41,762
Accounting, legal and other professional fees	21,233		21,233	41,112		41,112
Telecommunications	24,009		24,009	16,599		16,599
Information technology	95,625		95,625	70,819		70,819
In-kind contributions	253,074		253,074	136,322		136,322
Depreciation	1,638		1,638	4,285		4,285
Total expenses	4,482,554		4,482,554	3,021,008		3,021,008
<b>Change in net assets</b>	<b>152,799</b>	<b>(952,498)</b>	<b>(799,699)</b>	<b>87,453</b>	<b>3,600,108</b>	<b>3,687,561</b>
Net assets, beginning of year	868,850	6,328,862	7,197,712	781,397	2,728,754	3,510,151
Net assets, end of year	<u>\$ 1,021,649</u>	<u>\$ 5,376,364</u>	<u>\$ 6,398,013</u>	<u>\$ 868,850</u>	<u>\$ 6,328,862</u>	<u>\$ 7,197,712</u>

See Notes to Financial Statements

## RURAL DEVELOPMENT INSTITUTE

### STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Cash received from contract revenue	\$ 897,413	\$ 862,672
Cash received from contributions	3,077,400	6,653,553
Cash received from interest	143,024	27,871
Cash paid to employees	(2,213,849)	(1,601,323)
Cash paid for other operating activities	(2,052,155)	(1,253,828)
Net cash flows from operating activities	(148,167)	4,688,945
Cash Flows from Investing Activities		
Purchase of investments	(3,707,480)	(3,142,520)
Proceeds from sale of investments	2,465,000	500,000
Purchase of property and equipment	(9,806)	-
Net cash flows from investing activities	(1,252,286)	(2,642,520)
<b>Net change in cash and cash equivalents</b>	<b>(1,400,453)</b>	<b>2,046,425</b>
Cash and cash equivalents, beginning of year	2,230,562	184,137
Cash and cash equivalents, end of year	\$ 830,109	\$ 2,230,562
Reconciliation of change in net assets to cash flows from operating activities		
Change in net assets	\$ (799,699)	\$ 3,687,561
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,638	4,285
Change in operating assets and liabilities		
Pledges receivable	760,694	1,019,616
Grants, contracts, and other receivables	(72,638)	(47,767)
Prepaid expenses	(37,183)	(47,779)
Accounts payable	200	65,975
Accrued expenses	(1,179)	7,054
Net cash flows from operating activities	\$ (148,167)	\$ 4,688,945

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### **Note 1. Organization and Summary of Significant Accounting Policies**

The Rural Development Institute ("RDI") is a Washington nonprofit corporation founded in 1981. RDI is an international nonprofit organization working to secure land rights for the world's poorest people. RDI professionals have worked in over 40 developing countries in partnership with governments, NGOs, numerous foreign aid agencies, and other partners to design and implement laws, policies, and programs that provide opportunity, further economic growth, and promote social justice.

RDI has offices in:

- Beijing, China
- Bangalore, India
- Hyderabad, India
- Kolkata, India
- Bhubaneswar, India

RDI does not hold significant amounts of assets or liabilities denominated in non-United States currency at June 30, 2009 and 2008. RDI incurs significant expenses for services provided outside the United States.

### **Basis of Presentation**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions and include RDI's foreign and domestic activities. Accordingly, the net assets of RDI 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 actions of RDI or the passage of time.

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that must be maintained permanently by RDI. RDI had no permanently restricted net assets at June 30, 2009 and 2008.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

### **Cash and Cash Equivalents**

RDI considers highly liquid investments with original maturities of three months or less to be cash equivalents. RDI maintains its cash and cash equivalents in bank deposit accounts and interest bearing money market funds which, at times, may exceed federally insured limits.

### **Contract and Grant Support**

Support from cost-reimbursable contracts is recognized when eligible costs are incurred. Support from performance-based contracts is recognized when performance is completed. If support recognized exceeds cash advances received, then a receivable is recorded. However, if cash advances exceed support recognized, then a liability, unearned grant support, is recorded. RDI has received grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a review or audit may become a liability of RDI.

In 2008, RDI received a five year \$4.3 million grant for program work in India. RDI received the full \$4.3 million in cash in 2008. This amount is shown as temporarily restricted contributions on the 2008 statement of activities. RDI holds these funds for payments on grant-related expenses to be paid over the next three and a half years (the remaining grant period).

In 2009, RDI received another five year \$6.7 million grant for program work in India. RDI received \$1.4 million in 2009; of this amount, \$1.0 million is shown as temporarily restricted contributions on the 2009 statement of activities. RDI will receive the balance of the grant as corresponding milestones are met. These milestones are considered conditions, and conditional grants are not recognized as support until the condition is met. RDI holds these funds for payments on grant-related expenses to be paid over the next five years (the grant period).

### **Property and Equipment**

Property and equipment purchases greater than \$5,000 are capitalized and are recorded at cost or, in the case of donated fixed assets, at estimated fair value at the time of donation. Depreciation of fixed assets is provided for over the estimated useful lives of the assets for three to seven years on a straight-line basis. For leasehold improvements, depreciation is provided for over the shorter of the lease term or the useful life of the asset, also on the straight-line basis.

### **In-Kind Contributions**

RDI occupies, without charge, certain premises owned by others. RDI also receives contributed website, legal, and communications services. These facilities and contribution of services were recorded at market values at the time of donation as follows:

	<u>2009</u>	<u>2008</u>
Contributed services	\$ 244,214	\$ 125,690
Contributed facilities	<u>8,860</u>	<u>10,632</u>
	<u>\$ 253,074</u>	<u>\$ 136,322</u>

### **Vulnerability from Certain Concentrations**

For the year ended June 30, 2009, 40% of RDI's revenues were from one private foundation. For the year ended June 30, 2008, 71% of RDI's revenues were from one private foundation. At June 30, 2009, 81% of total receivables were due from one private foundation and one contract agency. At June 30, 2008, 85% of total receivables were due from two private foundations. Management is aware of the related vulnerability, but does not anticipate any losses in connection with these concentrations.

### **Income Tax Status**

Effective July 1, 2001, the IRS determined RDI can operate as a public charity under Section 501(c)(3) of the Internal Revenue Code.

### **Use of Estimates**

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

### **Reclassifications**

Certain prior year balances have been reclassified to conform to the current year presentation.

### **Subsequent Events**

RDI has evaluated subsequent events through the date these financial statements were available to be issued on October 14, 2009.

## Note 2. Investments

### Short-Term

Short-term investments consisted of certificates of deposit held at Wells Fargo Bank for \$1,944,445 as of June 30, 2009, and are stated at cost which approximates fair value. There were no investments classified as short-term at June 30, 2008. Fair values of certificates of deposit are determined using Level 1 inputs (meaning the fair value is determined by trading in active markets). No individual certificate of deposit exceeded \$100,000 and all investments are federally insured.

### Long-Term

The RDI Board of Directors designates money advanced to RDI for future programs beyond one year as long-term investments. These funds are to be used only for the specific, expressed purpose of the related programs. This designation does not dictate how the money should be invested, but rather that the money should be appropriately segregated for financial statement purposes. As of June 30, 2009, long-term investments consisted of certificates of deposit held at Wells Fargo Bank for \$2,440,555. As of June 30, 2008, long-term investments consisted of certificates of deposit held at Wells Fargo Bank for \$2,900,206 and a money market fund balance of \$242,314. Certificates of deposit are stated at cost, which approximates fair value, and were determined using Level 1 inputs. No individual certificate of deposit exceeds \$100,000 and all investments are federally insured.

## Note 3. Pledges Receivable

Included in pledges receivable are the following unconditional promises to give at June 30:

	<u>2009</u>	<u>2008</u>
Amounts due in:		
One to five years	\$ 607,982	\$ 1,000,000
Less unamortized discount to present value (4.5%)	<u>(66,885)</u>	<u>(122,862)</u>
Net long-term pledges receivable	541,097	877,138
Amounts due in:		
Less than one year	<u>407,347</u>	<u>832,000</u>
Total pledges receivable	<u><u>\$ 948,444</u></u>	<u><u>\$ 1,709,138</u></u>

#### Note 4. Property and Equipment

Property and equipment consists of the following at June 30:

	2009	2008
Furniture and equipment	\$ 21,335	\$ 11,533
Leasehold improvements	17,157	17,157
Software	20,937	20,937
	59,429	49,627
Less accumulated depreciation	(51,261)	(49,627)
	<u>\$ 8,168</u>	<u>\$ -</u>

#### Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30:

	2009	2008
General support in future years	\$ 933,115	\$ 1,427,138
Program expenses in India	4,435,675	4,121,724
Program expenses in China	7,574	-
Strategic planning	-	448,000
Global Homestead Project	-	332,000
	<u>\$ 5,376,364</u>	<u>\$ 6,328,862</u>

#### Note 6. Functional Allocation of Expenses

The cost of providing the various programs and other activities has been allocated to the program and supporting services benefited as follows at June 30:

	2009	2008
Program services	\$ 3,579,541	\$ 2,379,371
Fundraising	517,163	297,650
Management and general	385,850	343,987
	<u>\$ 4,482,554</u>	<u>\$ 3,021,008</u>

**Note 7. Leases**

RDI leases office space in Seattle, Washington, under a five-year non-cancelable operating lease agreement which expires October 31, 2012. Total rent expense for the fiscal years ended June 30, 2009 and 2008, was \$182,967 and \$116,372, respectively.

Future minimum lease payments for the Seattle office space non-cancelable operating lease are as follows for the years ending June 30:

2010	\$ 202,854
2011	174,090
2012	164,377
2013	55,491
	<hr/>
	\$ 596,812
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**Note 8. Retirement Plan**

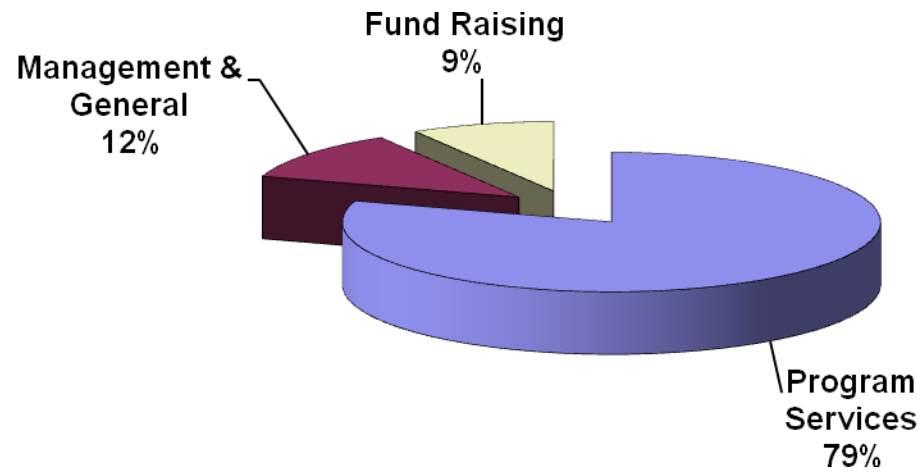
RDI has a 401(k) retirement plan ("the Plan") for its employees. Participants elect to make contributions to the Plan, and RDI contributes 3% of an employee's gross wages to the plan regardless of any employee contribution. Total expenses related to the plan were \$45,962 and \$36,735 for the years ended June 30, 2009 and 2008, respectively.

**Note 9. RDI India Trust**

RDI operates significant Indian program activities under the RDI India Trust. The RDI India Trust is a public charitable trust recognized by the government of India. RDI is the sole financial supporter of the RDI India Trust. The mission of the RDI India Trust is to undertake the India program activities of RDI. All activities of the RDI India Trust are included in these financial statements.

S U P P L E M E N T A R Y   I N F O R M A T I O N

**RURAL DEVELOPMENT INSTITUTE**  
**FUNCTIONAL ALLOCATION OF EXPENSES**  
For the Year Ended June 30, 2009



# RURAL DEVELOPMENT INSTITUTE

## ALLOCATION OF RESOURCES BY PROGRAM AREA

For the Year Ended June 30, 2009

