

Center for Climate and Energy Solutions, Inc.

Financial Statements

For the Years Ended March 31, 2020 and 2019



HERTZBACH
certified public accountants · consultants

Center for Climate and Energy Solutions, Inc.

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For the Years Ended March 31, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
Center for Climate and Energy Solutions, Inc.
3100 Clarendon Blvd, Suite 800
Arlington, VA 22201

We have audited the accompanying financial statements of Center for Climate and Energy Solutions, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, 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. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Climate and Energy Solutions, Inc. as of March 31, 2020 and 2019, 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 Note 3 of the financial statements, during the year ended March 31, 2020, Climate and Energy Solutions, Inc. adopted Financial Accounting Standards Board Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

As discussed in Note 3 of the financial statements, during the year ended March 31, 2020, Climate and Energy Solutions, Inc. adopted ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Hertzbach & Company, P.A.

Owings Mills, Maryland
January 7, 2021

Center for Climate and Energy Solutions, Inc.

Statements of Financial Position
As of March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,405,883	\$ 1,913,967
Grants receivable	242,380	726
Accounts receivable	144,268	1,274,762
Prepaid expenses	75,951	42,742
Total current assets	<u>2,868,482</u>	<u>3,232,197</u>
Property and equipment, net	91,862	110,244
Other assets		
Deferred compensation investments	215,264	213,440
Deposits	81,488	81,488
Total other assets	<u>296,752</u>	<u>294,928</u>
Total assets	<u>\$ 3,257,096</u>	<u>\$ 3,637,369</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 698,117	\$ 606,948
Payroll liabilities	70,827	87,387
Deferred membership dues and other deferred revenue	760,001	592,000
Current portion of capital lease	4,034	4,034
Total current liabilities	<u>1,532,979</u>	<u>1,290,369</u>
Noncurrent liabilities		
Deferred rent	108,075	47,289
Capital lease, net of current portion	2,794	6,828
Deferred compensation obligation	215,264	213,440
Total liabilities	<u>1,859,112</u>	<u>1,557,926</u>
Net assets		
Without donor restrictions	591,129	479,554
With donor restrictions	806,855	1,599,889
Total net assets	<u>1,397,984</u>	<u>2,079,443</u>
Total liabilities and net assets	<u>\$ 3,257,096</u>	<u>\$ 3,637,369</u>

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Statement of Activities

For the Year Ended March 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Grants and contracts	\$ 570,220	\$ 1,510,796	\$ 2,081,016
Membership dues	1,033,000	-	1,033,000
Sponsorships	610,608	-	610,608
Registration income	208,406	-	208,406
Contributions	231,056	-	231,056
Net assets released from restrictions	2,303,830	(2,303,830)	-
Total revenue and support	4,957,120	(793,034)	4,164,086
Expenses			
Program services:			
Domestic policy	1,151,861	-	1,151,861
International policy	854,178	-	854,178
Business innovation	2,191,456	-	2,191,456
Total program services	4,197,495	-	4,197,495
Supporting services:			
Management and general	418,564	-	418,564
Fundraising	258,019	-	258,019
Total supporting services	676,583	-	676,583
Total expenses	4,874,078	-	4,874,078
(Deficit) excess of revenue and support over expenses	83,042	(793,034)	(709,992)
Interest income	18,684	-	18,684
Other income	9,849	-	9,849
Change in net assets	111,575	(793,034)	(681,459)
Net assets, beginning of year	479,554	1,599,889	2,079,443
Net assets, end of year	\$ 591,129	\$ 806,855	\$ 1,397,984

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Statement of Activities

For the Year Ended March 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Grants and contracts	\$ 350,395	\$ 3,009,171	\$ 3,359,566
Membership dues	989,500	-	989,500
Sponsorships	527,167	-	527,167
Registration income	186,047	-	186,047
Contributions	264,580	-	264,580
Net assets released from restrictions	2,356,596	(2,356,596)	-
Total revenue and support	4,674,285	652,575	5,326,860
Expenses			
Program services:			
Domestic policy	1,467,999	-	1,467,999
International policy	1,348,251	-	1,348,251
Business innovation	1,203,845	-	1,203,845
Total program services	4,020,095	-	4,020,095
Supporting services:			
Management and general	533,807	-	533,807
Fundraising	207,533	-	207,533
Total supporting services	741,340	-	741,340
Total expenses	4,761,435	-	4,761,435
(Deficit) excess of revenue and support over expenses	(87,150)	652,575	565,425
Interest income	20,348	-	20,348
Other income	11,842	-	11,842
Change in net assets	(54,960)	652,575	597,615
Net assets, beginning of year	534,514	947,314	1,481,828
Net assets, end of year	\$ 479,554	\$ 1,599,889	\$ 2,079,443

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Statement of Functional Expenses
For the Year Ended March 31, 2020

	Program services				Supporting services		
	Domestic programs	International programs	Business innovation	Total program services	Management and general	Fundraising	Total
Salaries - general	\$ 397,485	\$ 157,888	\$ 664,023	\$ 1,219,396	\$ 123,046	\$ 124,456	\$ 1,466,898
Salaries - key employees	216,552	157,731	357,755	732,038	69,447	46,148	847,633
Consulting/authors	209,646	261,368	231,807	702,821	112,006	4	814,831
Conferences and meetings	4,728	55,539	174,274	234,541	14,380	286	249,207
Occupancy	78,590	36,373	124,860	239,823	22,387	22,740	284,950
Employee benefits	75,434	38,648	125,356	239,438	22,653	20,988	283,079
Travel	25,622	96,275	51,241	173,138	1,371	7,456	181,965
Cost sharing	49,875	-	191,092	240,967	-	-	240,967
Payroll taxes	39,907	20,446	66,319	126,672	11,984	11,104	149,760
Professional services	6,951	4,716	26,792	38,459	2,755	1,659	42,873
Information technology	6,072	4,094	45,238	55,404	12,983	11,539	79,926
Equipment and supplies	7,340	3,945	19,962	31,247	2,359	2,003	35,609
Printing and reproduction	11,265	2,039	47,367	60,671	522	3,889	65,082
Dues and subscriptions	7,291	5,137	18,121	30,549	1,013	673	32,235
Other expenses	1,293	2,069	23,612	26,974	1,449	1,308	29,731
Accounting	6,639	4,504	12,604	23,747	15,332	1,584	40,663
Insurance	1,003	681	1,905	3,589	3,202	239	7,030
Depreciation	5,366	2,486	8,542	16,394	1,531	1,556	19,481
Postage and delivery	802	239	586	1,627	144	387	2,158
Total expenses	\$ 1,151,861	\$ 854,178	\$ 2,191,456	\$ 4,197,495	\$ 418,564	\$ 258,019	\$ 4,874,078

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Statement of Functional Expenses
For the Year Ended March 31, 2019

	Program services				Supporting services		Total
	Domestic programs	International programs	Business innovation	Total program services	Management and general	Fundraising	
Salaries - general	\$ 570,601	\$ 259,926	\$ 324,337	\$ 1,154,864	\$ 249,596	\$ 127,574	\$ 1,532,034
Salaries - key employees	232,153	234,679	188,222	655,054	118,333	29,572	802,959
Consulting/authors	113,294	190,930	237,891	542,115	-	-	542,115
Conferences and meetings	96,139	195,561	105,886	397,586	14,009	857	412,452
Occupancy	106,970	93,459	83,690	284,119	43,214	16,763	344,096
Employee benefits	92,115	81,235	72,816	246,166	37,758	14,680	298,604
Travel	43,458	127,994	32,090	203,542	4,893	3,307	211,742
Cost sharing	70,105	46,391	41,584	158,080	-	-	158,080
Payroll taxes	46,801	41,273	36,996	125,070	19,196	7,463	151,729
Professional services	13,532	10,841	10,378	34,751	15,989	640	51,380
Information technology	16,935	14,570	13,998	45,503	2,423	942	48,868
Equipment and supplies	16,407	13,627	12,138	42,172	4,307	1,575	48,054
Printing and reproduction	15,205	11,794	13,864	40,863	2,586	1,013	44,462
Dues and subscriptions	11,997	9,635	15,799	37,431	750	292	38,473
Other expenses	12,543	7,623	6,456	26,622	2,798	1,756	31,176
Accounting	2,432	2,145	1,923	6,500	12,748	388	19,636
Insurance	2,251	1,985	1,780	6,016	4,428	359	10,803
Advertising	2,994	2,640	2,366	8,000	-	-	8,000
Depreciation	1,456	1,284	1,151	3,891	597	232	4,720
Postage and delivery	611	659	480	1,750	182	120	2,052
Total expenses	\$ 1,467,999	\$ 1,348,251	\$ 1,203,845	\$ 4,020,095	\$ 533,807	\$ 207,533	\$ 4,761,435

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Statements of Cash Flows

For the Years Ended March 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (681,459)	\$ 597,615
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	19,481	4,720
Loss on disposal	-	6,463
Change in operating assets:		
Grants receivable	(241,654)	13,126
Accounts receivable	1,130,494	(1,042,629)
Prepaid expenses	(33,209)	28,843
Deferred compensation investments	(1,824)	(22,116)
Deposits	-	(52,966)
Change in operating liabilities:		
Accounts payable and accrued expenses	91,169	370,746
Payroll liabilities	(16,560)	41,812
Deferred rent	60,786	47,289
Deferred membership dues and other deferred revenue	168,001	31,250
Deferred compensation obligation	1,824	22,116
Net cash and cash equivalents provided by operating activities	<u>497,049</u>	<u>46,269</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(1,099)</u>	<u>(102,862)</u>
Net cash and cash equivalents used in investing activities	<u>(1,099)</u>	<u>(102,862)</u>
Cash flows from financing activities:		
Payments on capital lease obligation	<u>(4,034)</u>	<u>(1,240)</u>
Net cash and cash equivalents used in financing activities	<u>(4,034)</u>	<u>(1,240)</u>
Net change in cash and cash equivalents	491,916	(57,833)
Cash and cash equivalents, beginning of year	<u>1,913,967</u>	<u>1,971,800</u>
Cash and cash equivalents, end of year	<u>\$ 2,405,883</u>	<u>\$ 1,913,967</u>
Non-cash investing and financing activities:		
Acquisition of equipment by entering into capital leases	<u>\$ -</u>	<u>\$ 12,102</u>

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements
For the Years Ended March 31, 2020 and 2019

1) Nature of Business

Center for Climate and Energy Solutions, Inc. (“C2ES” or the “Organization”), is a nonprofit, nonstock organization that was incorporated on March 25, 1998 under the laws of the Commonwealth of Delaware.

The mission of C2ES is to encourage the design and implementation of government policies and business practices that significantly reduce greenhouse gas emissions. C2ES works towards its goal by:

- Publishing nonpartisan analytical work and educating decision makers;
- Promoting public policies and private sector activities that will achieve real emission reductions in the United States; and
- Working to establish an international regime that will result in an effective global response to the climate change issue that can be ratified in the United States.

2) Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when obligations are incurred.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are classified in the following classes:

Net assets without donor restrictions represents funds that are available for support of the operations of C2ES, and that are not subject to donor restrictions.

Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources are to be maintained in perpetuity, but permit C2ES to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Cash and Cash Equivalents

The Organization considers all money market funds and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are due in less than one year and are stated at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At March 31, 2020 and 2019, management estimates that all receivables are fully collectible; therefore, no allowance for doubtful accounts has been recorded.

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2020 and 2019

2) Summary of Significant Accounting Policies (Continued)

Grants Receivable

Grant revenue is recognized as expenses are incurred or services are billed. Any grant funds remaining unexpended at the end of the grant year are due back to the grantor. Grant funds received but not expended are considered conditional funding and, accordingly, are recorded as deferred revenue when received. These amounts are recognized as revenue when expenditures are incurred. C2ES is subject to audit by granting and contracting authorities. Any adjustments resulting from such audits are recognized at the time of the audit.

Management considers all grant receivables to be collectible as of March 31, 2020 and 2019; therefore, no allowance for doubtful accounts has been recorded.

Deferred Compensation Investments

Investments related to the Organization's deferred compensation plan consist of fully benefit-responsive investment contracts and are reported at contract value. Contract value is the relevant measure for such investment contracts because that is the amount participants would receive if they were to initiate permitted transactions under the terms of the deferred compensation plan.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are capitalized at their estimated fair value at the date of receipt. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Computers	3 years
Computer software	3 years
Furniture and fixtures	7 years
Leasehold improvements	Lesser of lease term or useful life

Expenditures for maintenance and repairs and relatively minor expenditures for betterments that do not extend the life of an asset beyond its original estimated normal life are charged to expense in the year incurred. Major improvements and repairs over \$500 that extend the life of the asset are capitalized. Upon retirement, sale or other disposition, the cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in operations.

Revenue Recognition

The Organization is funded by contributions and grants from federal, foreign, and local government agencies, businesses, individuals, and other institutions. Unconditional support is recognized in the period the commitment is made. Conditional support is recognized in the financial statements in the period the condition is met. Grant revenue is recorded when expenses are incurred unless the grant is unconditional.

Contract revenue is reported at the amount that reflects the consideration C2ES expects to receive in exchange for the services provided. Revenue is recognized either over time or at a point in time depending on the nature of the performance obligations of each specific contract. For all contracts where revenue is recognized over time, management has estimated that services are provided evenly throughout the contract period and are recognized on a straight-line basis over the life of the contract.

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2020 and 2019

2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Membership dues are reported at the amount that reflects the consideration C2ES expects to receive in exchange for the services and benefits provided to members. Membership dues are invoiced based on the fiscal year of C2ES. Member benefits are provided continuously over the course of the year. Revenue is recognized over time, on a straight-line basis over the one-year membership period. Membership dues received in advance that are applicable to future periods are contract liabilities and are included in deferred revenue in the accompanying statements of financial position.

Annually, the organization holds a conference and collects registration fees for attendance. Revenue is recognized at a point in time when the event occurs.

Sponsorship and registration income are recognized as revenue in the period in which the events take place. Sponsorships and registration income received relating to future periods are contract liabilities and are recorded as deferred revenue in the accompanying financial statements.

Disaggregation of Revenue

C2ES recognizes revenue over time or at a point in time based on the performance obligation of each contract. Various economic factors affect revenues and cash flows. Revenue for each source is typically collected within 60 days.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Expenses directly attributed to a specific functional area of C2ES are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis. Although these allocation estimates are reasonable, actual expenses by function may differ. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Use of 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 and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain amounts in 2019 have been reclassified to conform to 2020 presentation. There was no effect on the 2019 change in net assets as a result of these reclassifications.

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2020 and 2019

2) Summary of Significant Accounting Policies (Continued)

Income Taxes

C2ES qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As a result, C2ES is not subject to federal income taxes, except for taxes on unrelated business income. There was no significant unrelated business income for the years ended March 31, 2020 and 2019.

3) Accounting Pronouncements Adopted

On April 1, 2019, C2ES adopted ASU No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)* using a modified retrospective method of adoption to all contracts with customers at April 1, 2019. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to members in amounts that reflect the consideration to which C2ES expects to be entitled in exchange for those goods or services. The amount to which C2ES expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services. Adoption of ASU 2014-09 resulted in no changes in presentation of the financial statements. Because contracts are generally completed within a year, C2ES used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the period ending March 31, 2020. ASU No. 2014-09 also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of the standard did not result in a change to the way C2ES recognizes revenue; therefore, there was no cumulative effect adjustment to beginning net assets.

In the fiscal year 2020, C2ES adopted ASU No. 2018-08 - *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of the new standard resulted in no changes in presentation of financial statements.

4) Property and Equipment

The following is a summary of property and equipment held at March 31, 2020 and 2019:

	2020	2019
Computers	\$ 5,781	\$ 4,682
Furniture and fixtures	90,984	90,984
Equipment	12,102	12,102
Leasehold improvements	9,532	9,532
	118,399	117,300
Less: accumulated depreciation	(26,537)	(7,056)
Property and equipment, net	<u>\$ 91,862</u>	<u>\$ 110,244</u>

Depreciation and amortization expense for the years ended March 31, 2020 and 2019 was \$19,481 and \$4,720, respectively.

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2020 and 2019

5) Deferred Compensation Investments and Obligation

C2ES maintains a 457(b)-retirement plan (Plan) covering certain management employees. Employees can elect to defer up to 100% of their compensation in accordance with Internal Revenue Service deferral limits. Participants in the 457(b) plan are entitled to be vested into the plan as of the first day of employment. C2ES may make non-elective contributions to the 457(b) plan. During the years ended March 31, 2020 and 2019, C2ES made no contributions to the plan. As of March 31, 2020 and 2019, the obligation to the covered participants under the Plan was \$215,264 and \$213,440, respectively.

The investments of the Plan consist of a fully benefit-responsive investment contract with Lincoln Financial Group (Lincoln) and are held in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting rate is based on a formula established by the contract issuer but may not be less than zero percent. The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

The contract meets the fully benefit-responsive investment contract criteria and, therefore, is reported at contract value. Contract value is the relevant measure for fully benefit-responsive investment contracts because this is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value, as reported by Lincoln, represents contributions made under the contracts, plus earnings, less participant withdrawals, and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

The Plan's ability to receive amounts due is dependent on the issuer's ability to meet its financial obligations. The issuer's ability to meet its contractual obligation may be affected by future economic and regulatory developments.

Certain events might limit the ability of the Plan to transact at contract value with the issuer. Such events include: (1) amendments to the Plan documents (including complete or partial Plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA and (5) premature termination of the contract. No events are probable of occurring that might limit the ability of the Plan to transact at contract value with the contract issuers and that also would limit the ability of the Plan to transact at contract value with the participants.

In addition, certain events allow the issuer to terminate the contract with the Plan and settle at an amount different from contract value. Such events include: (1) an uncured violation of the Plan's investment guidelines, (2) a breach of material obligation under the contract, (3) a material misrepresentation, and (4) a material amendment to the agreement without the consent of the issuer.

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2020 and 2019

5) Deferred Compensation Investments and Obligation (Continued)

The following table provides a summary of changes in the contract value for the years ended March 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Deferred compensation investments, beginning of year	\$ 213,440	\$ 191,324
Employee cash contributions	16,500	18,750
Unrealized (loss) gain on investments	(16,586)	6,212
Other	1,910	(2,846)
Deferred compensation investments, end of year	<u>\$ 215,264</u>	<u>\$ 213,440</u>

6) Net Assets with Donor Restrictions

At March 31, 2020 and 2019, net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Domestic policy	\$ 570,955	\$ 556,746
International policy	24,219	70,375
Business innovation	211,681	972,768
Total net assets with donor restrictions	<u>\$ 806,855</u>	<u>\$ 1,599,889</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished during the years ended March 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Administrative	\$ 20,000	\$ -
Domestic policy	754,443	572,278
International policy	685,124	939,999
Business innovation	844,263	844,319
Total net assets released from restrictions	<u>\$ 2,303,830</u>	<u>\$ 2,356,596</u>

7) Concentrations

Concentration of Credit Risk

The Organization maintains cash balances at various financial institutions. These balances may, from time to time, exceed amounts insured by the Federal Deposit Insurance Corporation. The Organization has never experienced any losses with respect to its bank balances in excess of federally insured amounts and management believes that there is no significant risk as a result of maintaining these accounts. At March 31, 2020 and 2019, cash balances exceeded federal insurance limits by \$1,401,756 and \$1,015,789, respectively.

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2020 and 2019

7) Concentrations (Continued)

Concentration of Revenue

The Organization receives a substantial portion of its support from donors. The Organization relies on the support of these donors to ensure the continuing operations of the organization. During each of the years ended March 31, 2020 and 2019, C2ES received 28% and 33%, respectively of its revenue from three donors.

Business Risk Factor

C2ES could potentially be affected by natural disasters, public health crises, such as pandemics and epidemics, or other events outside of their control, which could cause their business and operating results to suffer.

8) Commitments

Operating Leases

C2ES had a noncancelable lease for office space that expired in January 2019. The base monthly rent was \$32,107. In addition to the base monthly rent, C2ES was responsible for its portion of operating costs and real estate taxes. C2ES had a sublease agreement for a portion of the office space that expired in January 2019. C2ES entered into a new lease agreement for office space commencing in January 2019. The base monthly rent is \$27,163. C2ES entered into a sublease agreement for a portion of the office space commencing in January 2019. The subtenant will pay C2ES for a portion of the office space as well as additional costs for the use of office equipment and telecommunications. Subtenant rental income for the years ended March 31, 2020 and 2019 was \$80,286 and \$70,908, respectively. Office rental expense, net of sublease income, for the years ended March 31, 2020 and 2019 was \$264,636 and \$320,924, respectively.

C2ES entered into a lease agreement with Apple, Inc., for computer equipment, that commenced in July 2018 and will expire in June 2021. In addition to the base monthly rent of \$923, C2ES also incurred yearly administration fees in relation to property tax. Rental expense for the equipment for the years ended March 31, 2020 and 2019 was \$11,080 and \$10,935, respectively.

C2ES entered into a lease agreement, for office equipment, that commenced in May 2015 and expires in November 2024. For the year ended March 31, 2020, the base rent was \$285. Rent expense for the office equipment for the years ended March 31, 2020 and 2019 was \$3,420 and \$3,840, respectively.

C2ES entered into a lease agreement with Dell Computers for computer equipment, that commenced in July 2018 and will expire in June 2021. In addition to the base monthly rent of \$122, C2ES also incurs yearly administration fees in relation to property tax. Rental expense for the equipment for the years ended March 31, 2020 and 2019 totaled \$1,099.

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2020 and 2019

8) Commitments (Continued)

Aggregate future minimum lease payments and sublease income are as follows for the years ending March 31:

<u>For the years ending March 31,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>	<u>Sublease income</u>
2021	\$ 335,496	\$ 15,965	\$ 351,461	\$ 77,164
2022	343,905	6,556	350,461	79,098
2023	352,522	3,420	355,942	81,080
2024	361,301	3,420	364,721	83,099
2025	370,301	2,280	372,581	85,169
Thereafter	698,236	-	698,236	160,594
Total	<u>\$ 2,461,761</u>	<u>\$ 31,641</u>	<u>\$ 2,493,402</u>	<u>\$ 566,204</u>

Capital Leases

During the year ended March 31, 2019, C2ES entered into two capital lease agreements for equipment. The equipment under lease are presented as property and equipment on the statement of financial position. The agreements require monthly payments of \$336. During the years ended March 31, 2020 and 2019, C2ES recorded depreciation expense related to capital lease of \$4,034 and \$1,240, respectively.

Future minimum lease payments under the capital lease for the year ending March 31:

<u>For the years ending March 31,</u>	<u>Total</u>
2021	\$ 4,034
2022	2,794
Total minimum lease payments	<u>6,828</u>
Less: current portion of long-term obligations under capital lease	<u>4,034</u>
Long-term obligations under capital lease, net of current portion	<u>\$ 2,794</u>

9) Employee Benefit Plans

C2ES sponsors a 403(b)-pension plan available for eligible employees who work more than 20 hours per week. Employer contributions are discretionary each plan year and are 100% vested at all times. Participation in employer discretionary contributions requires the completion of three months of service. Total employer discretionary contributions for the years ended March 31, 2020 and 2019 were \$96,252 and \$81,151, respectively.

See independent auditor's report and accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2020 and 2019

10) Liquidity Analysis

The following reflects C2ES's financial assets as of March 31, 2020:

Financial assets as of March 31, 2020

Cash and cash equivalents	\$ 2,405,883
Grants receivable	242,380
Accounts receivable	<u>144,268</u>
Total financial assets	2,792,531
Less assets unavailable for general expenditure within one year due to:	
Donor-imposed restrictions	(806,855)
Deferred membership dues and other deferred revenue	<u>(760,001)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,225,675</u>

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. The Organization has no debt on the statement of financial position as of March 31, 2020 and typically pays its obligations using cash. The Organization invests cash balances in excess of daily requirements in short term money market investments. As of March 31, 2020, the Organization has financial assets equal to approximately 3 months of operating expenses.

11) Subsequent Events

In preparing the financial statements, C2ES has evaluated events and transactions for potential recognition or disclosure through January 7, 2021, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements, except as noted below.

Beginning in late January of 2020, the economy as a whole has suffered disruptive effects from the outbreak of coronavirus. Given the dynamic nature of these events, the extent, duration and pervasiveness of these effects cannot be reasonably estimated at this time.

The passage of the CARES Act created the Paycheck Protection Program (PPP), a new loan package designed to provide funding to small businesses for use in paying employee wages and other critical expenses during the COVID-19 pandemic. Under the terms of the PPP, once the loan is funded, amounts spent on eligible expenses as defined over the applicable period may be partially or totally forgiven based on compliance with various conditions as set forth by the program. Any portion of a PPP loan that is not forgiven must be repaid over a two or five year loan term; however, payments are deferred until the earlier of ten months following the Covered Period or the date the amount of forgiveness is determined, at a interest rate of 1%.

Subsequent to March 31, 2020, the Company applied for and received a PPP loan in the amount of \$398,543. On May 1, 2020, the Company's PPP loan proceeds were received.

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