Center for Climate and Energy Solutions, Inc.

Financial Statements
For the Years Ended March 31, 2021 and 2020

Center for Climate and Energy Solutions, Inc.

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Tel: 410-363-3200
Fax: 410-356-0058
www.bdo.com

800 Red Brook Blvd, Suite 300
Owings Mills, MD 21117

Independent Auditor's Report

Board of Directors
Center for Climate and Energy Solutions, Inc.
Arlington, Virginia

Opinion

We have audited the financial statements of Center for Climate and Energy Solutions, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of March 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter - Report on 2020 Financial Statements

The financial statements of Center for Climate and Energy Solutions, Inc. (a nonprofit organization), as of and for the year ended March 31, 2020 were audited by Hertzbach & Company, P.A. ("Hertzbach"), whose partners and professional staff joined BDO USA, LLP as of November 16, 2020. Hertzbach expressed an unmodified opinion on those statements in its report dated January 7, 2021.

BDO USA, LLP

August 19, 2022

Center for Climate and Energy Solutions, Inc.

Statements of Financial Position

March 31,	2021	2020
Assets		
Current assets		
Cash and cash equivalents	$ 3,265,820	$ 2,405,883
Grants receivable, net	1,390,329	242,380
Accounts receivable, net	212,616	144,268
Prepaid expenses	109,090	75,951
Total current assets	4,977,855	2,868,482
Property and equipment, net	71,850	91,862
Other assets		
Deferred compensation investments	317,142	215,264
Deposits	144,959	81,488
Total other assets	462,101	296,752
Total assets	$ 5,511,806	$ 3,257,096
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 198,979	$ 698,117
Payroll liabilities	101,427	70,827
Deferred membership dues and refundable advances	4,082,668	760,001
Current portion of capital lease	3,053	4,034
Current portion of note payable - PPP loan	265,031	-
Total current liabilities	4,651,158	1,532,979
Noncurrent liabilities		
Deferred rent	111,738	108,075
Capital lease, net of current portion	-	2,794
Note payable - PPP loan, net of current portion	133,512	-
Deferred compensation obligation	317,142	215,264
Total noncurrent liabilities	562,392	326,133
Total liabilities	5,213,550	1,859,112
Net assets		
Without donor restrictions	3,266	591,129
With donor restrictions	294,990	806,855
Total net assets	298,256	1,397,984
Total liabilities and net assets	$ 5,511,806	$ 3,257,096

See accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Statement of Activities
Year Ended March 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Grants and contracts	$ 200,527	$ 1,038,020	$ 1,238,547
Membership dues	1,137,052	-	1,137,052
Sponsorships	13,000	-	13,000
Contributions	490,543	-	490,543
Net assets released from restrictions	1,549,885	(1,549,885)	-
Total revenue and support	3,391,007	(511,865)	2,879,142
Expenses			
Program services:			
Domestic policy	775,995	-	775,995
International policy	226,442	-	226,442
Business innovation	2,354,599	-	2,354,599
Total program services	3,357,036	-	3,357,036
Supporting services:			
Management and general	336,133	-	336,133
Fundraising	308,632	-	308,632
Total supporting services	644,765	-	644,765
Total expenses	4,001,801	-	4,001,801
Decrease in revenue and support over expenses	(610,794)	(511,865)	(1,122,659)
Interest income	498	-	498
Other income	23,899	-	23,899
Other expense	(1,466)	-	(1,466)
Change in net assets	(587,863)	(511,865)	(1,099,728)
Net assets, beginning of year	591,129	806,855	1,397,984
Net assets, end of year	$ 3,266	$ 294,990	$ 298,256

See accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Statement of Activities
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
Increase (decrease) in 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 accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Statement of Functional Expenses
Year Ended March 31, 2021

	Program services				Supporting services		
	Domestic policy	International policy	Business innovation	Total program services	Management and general	Fundraising	Total
Salaries - general	$ 355,651	$ 127,049	$ 943,100	$ 1,425,800	$ 77,143	$ 78,299	$ 1,581,242
Salaries - key employees	98,824	40,739	322,261	461,824	156,530	140,177	758,531
Grants to other organizations	80,750	-	419,855	500,605	-	-	500,605
Occupancy	55,762	21,018	154,028	230,808	28,345	34,007	293,160
Consulting/authors	53,548	2,240	175,355	231,143	-	-	231,143
Employee benefits	44,068	14,679	127,222	185,969	18,853	23,930	228,752
Payroll taxes	30,214	10,064	87,226	127,504	12,138	16,407	156,049
Advertising and paid outreach	4,405	1,467	30,125	35,997	7,018	4,723	47,738
Accounting	2,955	984	8,532	12,471	22,772	1,605	36,848
Dues and subscriptions	6,174	2,057	20,960	29,191	518	481	30,190
Equipment and supplies	3,928	1,308	11,339	16,575	1,576	2,131	20,282
Professional services	3,572	1,190	10,313	15,075	2,224	1,940	19,239
Depreciation and amortization	3,636	1,383	10,006	15,025	1,879	2,237	19,141
Other expenses	7,513	599	8,409	16,521	2,277	331	19,129
Cost sharing	17,500	-	-	17,500	-	-	17,500
Information technology	3,037	984	9,325	13,346	894	1,209	15,449
Conferences and meetings	22	7	10,241	10,270	5	6	10,281
Printing and reproduction	3,462	350	3,036	6,848	422	571	7,841
Insurance	568	189	1,639	2,396	1,320	308	4,024
Travel	109	36	769	914	2,091	59	3,064
Postage and delivery	297	99	858	1,254	128	211	1,593
Total expenses	$ 775,995	$ 226,442	$ 2,354,599	$ 3,357,036	$ 336,133	$ 308,632	$ 4,001,801

See accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Statement of Functional Expenses
Year Ended March 31, 2020

	Program services				Supporting services		
	Domestic policy	International policy	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
Occupancy	78,590	36,373	124,860	239,823	22,387	22,740	284,950
Consulting/authors	209,646	261,368	231,807	702,821	112,006	4	814,831
Employee benefits	75,434	38,648	125,356	239,438	22,653	20,988	283,079
Payroll taxes	39,907	20,446	66,319	126,672	11,984	11,104	149,760
Accounting	6,639	4,504	12,604	23,747	15,332	1,584	40,663
Dues and subscriptions	7,291	5,137	18,121	30,549	1,013	673	32,235
Equipment and supplies	7,340	3,945	19,962	31,247	2,359	2,003	35,609
Professional services	6,951	4,716	26,792	38,459	2,755	1,659	42,873
Depreciation and amortization	5,366	2,486	8,542	16,394	1,531	1,556	19,481
Other expenses	1,293	2,069	23,612	26,974	1,449	1,308	29,731
Cost sharing	49,875	-	191,092	240,967	-	-	240,967
Information technology	6,072	4,094	45,238	55,404	12,983	11,539	79,926
Conferences and meetings	4,728	55,539	174,274	234,541	14,380	286	249,207
Printing and reproduction	11,265	2,039	47,367	60,671	522	3,889	65,082
Insurance	1,003	681	1,905	3,589	3,202	239	7,030
Travel	25,622	96,275	51,241	173,138	1,371	7,456	181,965
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 accompanying notes to the financial statements.

Center for Climate and Energy Solutions, Inc.

Statements of Cash Flows

Years ended March 31,	2021	2020
Cash flows from operating activities:		
Change in net assets	$ (1,099,728)	$ (681,459)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	19,141	19,481
Loss on disposal of property and equipment	871	-
Deferred rent	3,663	60,786
Change in operating assets:		
Grants receivable	(1,147,949)	(241,654)
Accounts receivable	(68,348)	1,130,494
Prepaid expenses	(33,139)	(33,209)
Deferred compensation investments	(101,878)	(1,824)
Change in operating liabilities:		
Accounts payable and accrued expenses	(499,138)	91,169
Payroll liabilities	30,600	(16,560)
Deferred membership dues and refundable advances	3,322,667	168,001
Deferred compensation obligation	101,878	1,824
Net cash and cash equivalents provided by operating activities	528,640	497,049
Cash flows from investing activities:		
Deposits	(63,471)	-
Purchases of property and equipment	-	(1,099)
Net cash and cash equivalents used in investing activities	(63,471)	1,099
Cash flows from financing activities:		
Payments on capital lease obligation	(3,775)	(4,034)
Proceeds from note payable - PPP loan	398,543	-
Net cash and cash equivalents provided by (used in) financing activities	394,768	(4,034)
Net change in cash and cash equivalents	859,937	491,916
Cash and cash equivalents, beginning of year	2,405,883	1,913,967
Cash and cash equivalents, end of year	$ 3,265,820	$ 2,405,883

See accompanying notes to the financial statements.

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) 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 (U.S. GAAP).

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 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, Net
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, 2021 and 2020, management estimates that all receivables are fully collectible; therefore, no allowance for doubtful accounts has been recorded.

Grants Receivable, Net
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 refundable advances 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, 2021 and 2020; 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, Equipment, and Impairment of Long-Lived Assets
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.

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted expected cash flows. Future events could cause the Organization to conclude that impairment indicators exist and that property and equipment may be impaired. There were no impairment losses related to property and equipment for the years ended March 31, 2021 and 2020.

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.

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 U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates

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, 2021 and 2020. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2021, and believes they are no longer subject to any income tax examinations for the years prior to December 31, 2017.

Recent Accounting Pronouncements to be Adopted
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This update, along with related ASU's, establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statement of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The guidance also expands the required quantitative and qualitative lease disclosures as well as provides entities with an additional (and optional) transition method to adopt the new standard. The ASU is effective for C2ES' fiscal year beginning after December 15, 2022. Management is currently evaluating the impact of this ASU on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets and requires additional disclosures related to contributed nonfinancial assets. This ASU must be applied on a retrospective basis and is effective for C2Es' fiscal year 2022. Management does not anticipate a material impact of this ASU on the financial statements.

3) Property and Equipment, Net

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

	2021	2020
Computers	$ 3,440	$ 5,781
Furniture and fixtures	90,984	90,984
Equipment	12,102	12,102
Leasehold improvements	9,532	9,532
	116,058	118,399
Less: accumulated depreciation and amortization	(44,208)	(26,537)
Property and equipment, net	$ 71,850	$ 91,862

Depreciation and amortization expense for the years ended March 31, 2021 and 2020 was $19,141 and $19,481, respectively.

4) Deferred Compensation Investments and Obligation

C2ES maintains a 457(b)-retirement plan (Plan) covering certain management employees. Employees may 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, 2021 and 2020, C2ES made no contributions to the plan. As of March 31, 2021 and 2020, the obligation to the covered participants under the Plan was $317,142 and $215,264, 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.

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

	2021	2020
Deferred compensation investments, beginning of year	$ 215,264	$ 213,440
Employee cash contributions	18,000	16,500
Unrealized gain (loss) on investments	83,878	(16,586)
Other	-	1,910
Deferred compensation investments, end of year	$ 317,142	$ 215,264

5) Note Payable - PPP Loan

During the year ended March 31, 2021, the Organization applied for and received loan proceeds in the amount of $398,543 under the Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted March 27, 2020. The PPP loan is evidenced by a promissory note in favor of the lender, which bears interest at the rate of 1.00% per annum. No payments of principal or interest are due under the note until 10 months after the end of the related note's covered period (which is defined as up to 24 weeks after the date of the loan) (the "Deferral period"). The note may be prepaid at any time prior to maturity with no prepayment penalties.

Funds from the PPP loan may be used only for payroll and related costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations that were incurred prior to the end of the covered period (the "Qualifying expenses"). Under the terms of the PPP loan, certain amounts thereunder may be forgiven if they are used for Qualifying expenses as described in and in compliance with the CARES Act. The Organization used the PPP loan proceeds exclusively for Qualifying expenses.

The amounts of $265,031 and $133,512 at March 31, 2021, represents estimated current and long-term portions of the note, respectively.

In August 2021, the Organization received notice from the lender and the Small Business Administration that their PPP loan had been fully forgiven.

6) Net Assets with Donor Restrictions

At March 31, 2021 and 2020, net assets with donor restrictions consisted of the following:

	2021	2020
Domestic policy	$ 269,362	$ 570,955
International policy	18,354	24,219
Business innovation	7,274	211,681
Total net assets with donor restrictions	$ 294,990	$ 806,855

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished during the years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Administrative	$ -	$ 20,000
Domestic policy	554,298	754,443
International policy	130,331	685,124
Business innovation	865,256	844,263
Total net assets released from restrictions	$ 1,549,885	$ 2,303,830

7) Concentrations, Risks and Uncertainties

Concentrations 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, 2021 and 2020, cash balances exceeded federal insurance limits by $2,419,262 and $1,401,756, respectively.

Concentrations 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, 2021 and 2020, C2ES received 25% and 28%, respectively of its revenue from three donors.

8) Commitments

Operating Leases

C2ES entered into a new lease agreement for office space commencing in January 2019. The base monthly rent is $27,842. 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, 2021 and 2020 was $77,980 and $80,286, respectively. Office rental expense, net of sublease income, for the years ended March 31, 2021 and 2020 was $262,738 and $264,636, respectively.

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

C2ES entered into a lease agreement, for office equipment, that commenced in December 2019 and expires in November 2024. For the year ended March 31, 2021, the base rent was $285. Rent expense for the office equipment for the years ended March 31, 2021 and 2020 was $3,420.

C2ES entered into a lease agreement with Dell Computers for computer equipment that commenced in July 2018 and expired in June 2021. In addition to the base monthly rent of $122, C2ES also incurs yearly administration fees in relation to property taxes. Rental expense for the equipment for the years ended March 31, 2021 and 2020 totaled $1,465.

Aggregate future minimum lease payments and sublease income are as follows:

For the years ending March 31,	Office	Equipment	Total	Sublease income
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
2026	379,537	-	379,537	87,293
Thereafter	318,699	-	318,699	73,301
Total	$ 2,126,265	$ 15,676	$ 2,141,941	$ 489,040

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 in the statements of financial position. The agreements require monthly payments of $336. During the years ended March 31, 2021 and 2020, C2ES recorded depreciation expense related to capital lease of $4,034.

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

For the year ending March 31,	Total
2022	$ 3,053
Total minimum lease payments	$ 3,053

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, 2021 and 2020 were $79,586 and $96,252, respectively.

10) COVID-19 Pandemic

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. The Organization is dependent on its workforce to deliver its products. Developments in response to COVID-19, such as social distancing may impact the Organization’s ability to deploy its workforce effectively. These same developments may affect the operations and timing of deliverables from the Organization’s suppliers, as their own workforces and operations may be disrupted by efforts to curtail the spread of this virus. Further, the Organization’s customers may either delay or cancel existing or future projects based on these same developments. While expected to be temporary, these disruptions may negatively impact the Organization’s revenues, its results of operations, financial condition and liquidity in 2021. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

11) Liquidity Analysis

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets as of March 31, 2021		
Cash and cash equivalents	$	3,265,820
Grants receivable		1,390,329
Accounts receivable		212,616
Total financial assets		4,868,765
Less assets unavailable for general expenditure within one year due to:		
Donor-imposed restrictions		(294,990)
Financial assets available to meet cash needs for general expenditure within one year	$	4,573,775

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 typically pays its obligations using cash. The Organization invests cash balances in excess of daily requirements in short term money market investments.

12) Subsequent Events

In preparing the financial statements, C2ES has evaluated events and transactions for potential recognition or disclosure through August 19, 2022, which is the date the financial statements were available to be issued. There were no significant subsequent events that require recognition or disclosure in these financial statements, except as described below.

In August 2021, the Organization's PPP loan was fully forgiven (see Note 5).