CENTER FOR CLIMATE AND ENERGY SOLUTIONS, INC.

FINANCIAL REPORT
March 31, 2022

CONTENTS

ANDERSON DAVIS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Center for Climate and Energy Solutions, Inc. (a not-for-profit organization) (the Organization), which comprise the Statement of Financial Position as of March 31, 2022, 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 Center for Climate and Energy Solutions, Inc. as of March 31, 2022 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 Center for Climate and Energy Solutions, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Center for Climate and Energy Solutions, Inc. for the year ended March 31, 2021, before the restatement described in Note 11, were audited by another auditor whose report dated August 19, 2022, expressed an unmodified opinion on those statements. As part of our audit of the March 31, 2022 financial statements, we also audited the adjustments described in Note 11 that were applied to restate the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

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 Center for Climate and Energy Solutions, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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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 Center for Climate and Energy Solutions, Inc.'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 Center for Climate and Energy Solutions, Inc.'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.

Anderson, Davis & Associates, CPA

Glen Burnie, Maryland
June 28, 2023

CENTER FOR CLIMATE AND ENERGY SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2022 and 2021

	2022	Restated 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,472,663	$ 3,265,820
Investments	13,405	-
Grants receivable, net	122,184	1,390,329
Accounts receivable, net	437,019	372,923
Prepaid expenses	127,573	109,090
Total current assets	5,172,844	5,138,162
Property and equipment, net	72,543	71,850
Other assets		
Deferred compensation plan investments	328,250	317,142
Deposits	177,004	144,959
Total other assets	505,254	462,101
Total assets	$ 5,750,641	$ 5,672,113
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 293,085	$ 198,979
Payroll liabilities	89,817	101,427
Deferred membership dues and refundable advances	1,296,971	2,378,436
Current portion of capital lease	-	3,053
Current portion of note payable - PPP loan	-	265,031
Total current liabilities	1,679,873	2,946,926
Noncurrent liabilities		
Deferred rent	108,927	111,738
Note payable - PPP loan, net of current portion	-	133,512
Deferred compensation plan obligation	328,250	317,142
Total noncurrent liabilities	437,177	562,392
Total liabilities	2,117,050	3,509,318
Net assets		
Without donor restrictions	2,486,283	270,043
With donor restrictions	1,147,308	1,892,752
Total net assets	3,633,591	2,162,795
Total liabilities and net assets	$ 5,750,641	$ 5,672,113

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

CENTER FOR CLIMATE AND ENERGY SOLUTIONS, INC.
STATEMENT OF ACTIVITIES
For the year ended March 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, contributions, and other support			
Grants and contracts	$ 1,167,604	$ 1,118,207	$ 2,285,811
Membership dues	1,149,815	-	1,149,815
Sponsorships	624,083	-	624,083
Contributions	1,473,796	1,300,000	2,773,796
In-kind donations	21,116	-	21,116
Net assets released from restrictions	3,163,651	(3,163,651)	-
Total revenue and support	7,600,065	(745,444)	6,854,621
Expenses			
Program services:			
Domestic policy	625,038	-	625,038
International policy	2,170,440	-	2,170,440
Business innovation	2,180,623	-	2,180,623
Total program services	4,976,101	-	4,976,101
Supporting services:			
Management and general	497,479	-	497,479
Fundraising	286,348	-	286,348
Total supporting services	783,827	-	783,827
Total expenses	5,759,928	-	5,759,928
Operating income	1,840,137	(745,444)	1,094,693
Non-operating income and expenses			
Interest income	1,263	-	1,263
Investment income	(8,475)	-	(8,475)
Other income	383,510	-	383,510
Other expense	(195)	-	(195)
Total non-operating income	376,103	-	376,103
Change in net assets	2,216,240	(745,444)	1,470,796
Net assets, beginning of year	270,043	1,892,752	2,162,795
Net assets, end of year	$ 2,486,283	$ 1,147,308	$ 3,633,591

CENTER FOR CLIMATE AND ENERGY SOLUTIONS, INC.
STATEMENT OF ACTIVITIES
For the year ended March 31, 2021

	Restated		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, contributions, and other support			
Grants and contracts	$ 200,527	$ 2,599,486	$ 2,800,013
Membership dues	1,125,912	-	1,125,912
Sponsorships	13,000	-	13,000
Contributions	490,543	36,296	526,839
Net assets released from restrictions	1,549,885	(1,549,885)	-
Total revenue and support	3,379,867	1,085,897	4,465,764
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
Operating income	(621,934)	1,085,897	463,963
Non-operating income and expenses			
Interest income	498	-	498
Other income	23,899	-	23,899
Other expense	(1,466)	-	(1,466)
Total non-operating income	22,931	-	22,931
Change in net assets	(599,003)	1,085,897	486,894
Net assets, beginning of year	591,129	806,855	1,397,984
Prior period adjustment (Note 11)	277,917	-	277,917
Net assets, beginning of year, restated	869,046	806,855	1,675,901
Net assets, end of year	$ 270,043	$ 1,892,752	$ 2,162,795

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

CENTER FOR CLIMATE AND ENERGY SOLUTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended March 31, 2022

	Program Services				Supporting Services		
	Domestic Policy	International Policy	Business Innovation	Total Program Services	Management and General	Fundraising	Total
Salaries - general	$ 348,262	$ 580,983	$ 992,647	$ 1,921,892	$ 65,548	$ 96,486	$ 2,083,926
Salaries - key employees	62,615	60,961	113,342	236,918	155,789	116,527	509,234
Grants to other organizations	438	977,848	238,714	1,217,000	-	-	1,217,000
Consulting/authors	41,982	180,511	110,239	332,732	74,242	553	407,527
Employee benefits	42,241	128,988	117,452	288,681	36,890	22,796	348,367
Cost sharing	17,500	-	249,140	266,640	-	-	266,640
Occupancy	37,748	73,161	104,728	215,637	31,500	19,247	266,384
Payroll taxes	24,405	47,301	67,710	139,416	20,365	12,443	172,224
Other expenses	10,536	20,628	36,011	67,175	10,178	3,140	80,493
Conferences and meetings	23	38,414	39,316	77,753	764	1	78,518
Advertising and paid outreach	17,145	11,469	28,429	57,043	5,413	2,602	65,058
Professional services	1,823	3,532	21,484	26,839	34,520	929	62,288
Information technology	7,370	13,606	20,271	41,247	5,148	3,431	49,826
Travel	921	14,188	5,127	20,236	17,396	3,606	41,238
Equipment and supplies	3,259	7,554	15,123	25,936	3,852	1,663	31,451
Accounting	538	1,043	1,492	3,073	25,329	274	28,676
Depreciation and amortization	3,168	6,139	8,788	18,095	2,643	1,615	22,353
Printing and reproduction	4,267	2,571	8,400	15,238	848	518	16,604
Insurance	491	951	1,362	2,804	6,725	250	9,779
Postage and delivery	306	592	848	1,746	329	267	2,342
Total expenses	$ 625,038	$ 2,170,440	$ 2,180,623	$ 4,976,101	$ 497,479	$ 286,348	$ 5,759,928

CENTER FOR CLIMATE AND ENERGY SOLUTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the 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 independent auditor's report and notes to the financial statements.

CENTER FOR CLIMATE AND ENERGY SOLUTIONS, INC.
STATEMENTS OF CASH FLOWS
For the year ended March 31, 2022 and 2021

	2022	Restated 2021
Cash flows from operating activities		
Change in net assets	$ 1,470,796	$ 486,894
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on forgiveness of Paycheck Protection Program loan	(398,543)	-
Depreciation and amortization	22,353	19,141
Loss on disposal of property and equipment	195	871
Donated stock	(21,865)	-
Unrealized loss on investments	8,460	-
Decrease (increase) in operating assets:		
Grants receivable	1,268,145	(1,147,949)
Accounts receivable	(64,096)	(110,738)
Prepaid expenses	(18,483)	(33,139)
Deferred compensation plan investments	(11,108)	(101,878)
Deposits	(32,045)	(63,471)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	94,106	(499,138)
Payroll liabilities	(11,610)	30,600
Deferred membership dues and refundable advances	(1,081,465)	1,778,435
Deferred rent	(2,811)	3,663
Deferred compensation plan obligation	11,108	101,878
Net cash provided by operating activities	1,233,137	465,169
Cash flows from investing activities		
Purchases of property and equipment	(23,241)	-
Net cash used in investing activities	(23,241)	-
Cash flows from financing activities		
Payments on capital lease obligation	(3,053)	(3,775)
Proceeds from note payable - PPP loan	-	398,543
Net cash (used in) provided by financing activities	(3,053)	394,768
Net change in cash and cash equivalents	1,206,843	859,937
Cash and cash equivalents, beginning of year	3,265,820	2,405,883
Cash and cash equivalents, end of year	$ 4,472,663	$ 3,265,820
Supplemental information for cash and cash equivalents		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Noncash transactions:		
Donated stock	$ 21,865	$ 12,173

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1. **ORGANIZATION AND PURPOSE**

Center for Climate and Energy Solutions, Inc. (the Organization or C2ES) is a not-for-profit, non-stock organization that was incorporated on March 25, 1998 under the laws of the state of Delaware.

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

- Publishing non-partisan 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.

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting
The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned, and expenses are recognized when incurred.

Basis of Presentation
The Organization follows the Financial Accounting Standards Board (FASB)'s Accounting Standards Update (ASU) No. 2016-14 - Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization presents information regarding its financial position and activities according to two classes of net assets described as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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.

Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are reflected at fair market value. To adjust the carrying values of these securities, the change in fair market value is recorded as a component of investment income in the statement of activities. Investments at March 31, 2022 consist of stock in a US company that was donated to the Organization. The stock was not sold as of March 31, 2022. Because its share price is published publicly, its fair value is level 1.

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2022 and 2021, management estimates that all receivables are fully collectible; therefore, no allowance for doubtful accounts has been recorded.

Grants Receivable

Grant revenue relating to grants with barriers and a requirement to repay any unspent funds 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. For grants without barriers and requirements to repay, grant revenue is recorded upon notification that the grant has been approved as revenue with donor restrictions and the restrictions are released as work progresses. The Organization is subject to audit by granting and contracting authorities. Any adjustments resulting from such audits are recognized at the time of the audit. Management believes any adjustments related to such audits to be immaterial.

Management considers all grant receivables to be collectible as of March 31, 2022 and 2021; therefore, no allowance for doubtful accounts has been recorded.

Deferred Compensation Plan 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 stated at cost, or in the case of donated items, at the estimated fair value at the time of the donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Computers and 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, 2022 and 2021.

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 in the period the condition is met. Grant revenue is recorded when expenses are incurred unless the grant is unconditional, in which case the revenue is earned upon the Organization learning that the grant was approved.

Contract revenue is reported at the amount that reflects the consideration the Organization 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 the Organization expects to receive in exchange for the services and benefits provided to members. Membership dues are invoiced based on a calendar year. 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. Any members who have not paid membership dues by the March 31 but have participated in member activities have their membership dues recorded as accounts receivable.

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

The Organization recognizes revenue over time or at a point in time based on the performance obligations 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 and in detail on the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organization 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Tax

The Organization qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. As a result, the Organization 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, 2022 and 2021. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2022, and believes they are no longer subject to any income tax examinations for the years prior to December 31, 2018. The Organization's returns generally remain open for IRS and state examination for three years.

Advertising Expense

Advertising expense, which totaled $65,058 and $47,738 for the years ended March 31, 2022 and 2021, respectively, is expensed in the fiscal period incurred.

In-Kind Contributions

In-kind contributions consist of catering and office equipment which were utilized. In-kind contributions are recorded at their fair value as of the date of the gift. During the year ended March 31, 2022, the value of in-kind contributions received totaled $21,116. There were no in-kind contributions received during the year ended March 31, 2021.

Recent Accounting Pronouncements to be Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This update, along with the related ASUs, 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 the 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, 2021. Management is currently evaluating the impact of this ASU on the financial statements.

Note 3. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of March 31,:

Financial assets available at year end:	2022	2021
Cash and cash equivalents	$ 4,472,663	$ 3,265,820
Investments	13,405	-
Grants receivable	122,184	1,390,329
Accounts receivable	437,019	372,923
Total financial assets	5,045,271	5,029,072
Less amounts not available for general expenditure within one year:		
Assets subject to contractual or donor restriction	1,147,308	1,892,752
Financial assets available to meet general expenditures within one year	$ 3,897,963	$ 3,136,320

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.

Note 4. **PROPERTY AND EQUIPMENT**

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

	2022	2021
Computers	$ 10,957	$ 3,440
Furniture and fixtures	92,612	90,984
Equipment	23,858	12,102
Leasehold improvements	9,532	9,532
	136,959	116,058
Less: accumulated depreciation and amortization	(64,416)	(44,208)
Property and equipment, net	$ 72,543	$ 71,850

Depreciation and amortization expense for the years ended March 31, 2022 and 2021 was $22,354 and $19,141, respectively.

Note 5. **DEFERRED COMPENSATION PLAN INVESTMENTS AND OBLIGATION**

The Organization maintains a 457(b)-retirement plan (the 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. The Organization may make non-elective contributions to the 457(b) plan. During the years ended March 31, 2022 and 2021, the Organization made no contributions to the plan. As of March 31, 2022 and 2021, the obligation to the covered participants under the Plan was $328,250 and $317,142, 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 probably 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.

Note 5. **DEFERRED COMPENSATION PLAN INVESTMENTS AND OBLIGATION (continued)**

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:

	2022	2021
Deferred compensation investments, beginning of year	$ 317,142	$ 215,264
Employee cash contributions	-	18,000
Unrealized gain on investments	11,108	83,878
Deferred compensation investments, end of year	$ 328,250	$ 317,142

Note 6. **PAYCHECK PROTECTION PROGRAM 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. During the year ended March 31, 2022, the Organization received notice from the lender and the Small Business Administration that their PPP loan had been forgiven in full, including all accrued interest. The forgiveness is included in other income on the Statement of Activities for the year ended March 31, 2022.

Note 7. **NET ASSETS WITH DONOR RESTRICTIONS**

At March 31, 2022 and 2021, net assets with donor restrictions consisted of the following:

	2022	2021
Domestic policy	$ 609,858	$ 717,907
International policy	95,923	14,549
Business innovation	441,527	1,160,296
Total net assets with donor restrictions	$ 1,147,308	$ 1,892,752

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished during the years ended March 31, 2022 and 2021 were as follows:

	2022	2021
Domestic policy	$ 376,549	$ 554,298
International policy	842,041	130,331
Business innovation	1,945,061	865,256
Total net assets released from restrictions	$ 3,163,651	$ 1,549,885

Note 8. **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, 2022 and 2021, cash balances exceeded federal insurance limits by $3,672,667 and $2,419,262, respectively.

Note 8. **CONCENTRATIONS, RISKS, AND UNCERTAINTIES (continued)**

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, 2022 and 2021, the Organization received 18% and 25%, respectively, of its revenue from two donors and three donors, respectively.

Note 9. **COMMITMENTS**

Operating Leases
The Organization entered into a new lease agreement for office space commencing in January 2019. The base monthly rent is $29,255 as of March 31, 2022. The Organization entered into a sublease agreement for a portion of the office space commencing in January 2019. The subtenant will pay the Organization 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, 2022 and 2021 was $79,098 and $77,980, respectively. Office rental expense, net of sublease income, for the years ended March 31, 2022 and 2021 was $261,995 and $262,738, respectively.

The Organization entered into a lease agreement with Apple, Inc. for computer equipment that commenced in July 2018 and expired in June 2021. In addition to the base monthly rent of $923, the Organization also incurred yearly administration fees in relation to property taxes. Rental expense for the equipment for the years ended March 31, 2022 and 2021 was $2,769 and $11,080, respectively.

The Organization entered into a lease agreement for office equipment that commenced in December 2019 and expires in November 2024. For the year ended March 31, 2022, the base rent was $285. Rental expense for the office equipment for the years ended March 31, 2022 and 2021 was $3,420.

The Organization 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, the Organization also incurs yearly administration fees in relation to property taxes. Rental expense for the equipment for the years ended March 31, 2022 and 2021 was $366 and $1,465, respectively.

The Organization entered into a lease agreement with Apple, Inc. for computer equipment that commenced in April 2021 and expires in March 2024. The base rent is $912. Rental expense for the equipment for the year ended March 31, 2022 was $10,949.

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

For the years ending March 31,:	Office	Equipment	Total	Sublease Income
2023	$ 352,522	$ 14,369	$ 366,891	$ 81,080
2024	361,301	14,369	375,670	83,099
2025	370,301	2,280	372,581	85,169
2026	379,537	-	379,537	87,293
2027	383,272	-	383,272	73,301
Total	$ 1,846,933	$ 31,018	$ 1,877,951	$ 409,942

Capital Leases
During the year ended March 31, 2019, the Organization 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 required monthly payments of $336. During the years ended March 31, 2022 and 2021, the Organization recorded depreciation expense related to capital lease of $2,794 and $4,034, respectively. These leases ended in September and December 2021 and ownership of the equipment was transferred to C2ES.

Note 10. **EMPLOYEE BENEFIT PLANS**

The Organization 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, 2022 and 2021 were $91,844 and $79,586, respectively.

Note 11. **PRIOR PERIOD ADJUSTMENTS**

During the year ended March 31, 2022, C2ES management determined that the prior method of treating all grants as if they were conditional did not align with current accounting guidance. C2ES changed its manner of recognizing revenue in compliance with FASB ASU 2014-09 *Revenue from Contracts with Customers* and ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

Additionally, during the year ended March 31, 2022, C2ES management determined the way Membership revenue had been recorded did not sufficiently capture the calendar year Membership period. Prior to the year ended March 31, 2022, membership revenue was fully recorded in the fiscal year received. Recognition of Membership dues is now based on a calendar year membership period and all members who have not paid by March 31 but have participated in member activities in that calendar year have their membership dues recorded as a receivable as well as related revenue and deferred membership revenue.

Effect on amounts as of and for the year ended March 31, 2021:

Account:	Original amount		Restated amount	
Accounts receivable	$	212,616	$	372,923
Deferred membership dues and refundable advances	$	4,082,668	$	2,378,436
Net assets without donor restrictions	$	3,266	$	270,043
Net assets with donor restrictions	$	294,990	$	1,892,752
Grants and contracts with donor restrictions	$	1,038,020	$	2,599,486
Membership dues	$	1,137,052	$	1,125,912
Contributions with donor restrictions	$	-	$	36,296

Note 12. **SUBSEQUENT EVENTS**

In preparing these financial statements, C2ES has evaluated events and transactions for potential recognition or disclosure through June 28, 2023, 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.