

***STRATEGIES FOR THE GLOBAL  
ENVIRONMENT, INC.***

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

MARCH 31, 2016 AND 2015



**Halt Buzas &  
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Strategies for the Global Environment, Inc.  
Arlington, Virginia

We have audited the accompanying financial statements of Strategies for the Global Environment, Inc. (Strategies), which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities 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.

### *Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Strategies as of March 31, 2016 and 2015, 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.

*Halt, Buzas & Powell, Ltd.*

Alexandria, Virginia  
August 2, 2016

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
Cash	\$ 1,273,357	\$ 1,614,132
Accounts receivable	25,274	-
Grants receivable	125,476	138,617
Property and equipment, net	11,034	15,858
Deferred compensation investments	131,477	118,905
Deposits	28,522	28,522
 Total assets	 \$ 1,595,140	 \$ 1,916,034
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 38,065	\$ 32,371
Grants payable, research contracts	106,000	-
Payroll liabilities	54,591	55,349
Accrued expenses	12,000	12,000
Deferred membership dues	430,000	390,000
Deferred compensation obligation	131,477	118,905
 Total liabilities	 772,133	 608,625
 Net assets:		
Unrestricted	124,715	3,609
Temporarily restricted	698,292	1,303,800
Total net assets	823,007	1,307,409
 Total liabilities and net assets	 \$ 1,595,140	 \$ 1,916,034

See accompanying notes to the financial statements.

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grants and contracts	\$ 24,950	\$ 2,399,511	\$ 2,424,461
Membership dues	875,000	-	875,000
Sponsorships	185,982	-	185,982
Registration income	160,140	-	160,140
Contributions	114,260	-	114,260
Interest income	1,411	-	1,411
Net assets released from restrictions:			
Satisfaction of grant restrictions	<u>3,005,019</u>	<u>(3,005,019)</u>	<u>-</u>
Total revenues	<u>4,366,762</u>	<u>(605,508)</u>	<u>3,761,254</u>
Expenses:			
Program services:			
Education outreach	1,717,962	-	1,717,962
Domestic and international policy	1,283,949	-	1,283,949
Innovative business	<u>680,146</u>	<u>-</u>	<u>680,146</u>
Total program services	<u>3,682,057</u>	<u>-</u>	<u>3,682,057</u>
Support services:			
Management and general	354,772	-	354,772
Fundraising	<u>208,827</u>	<u>-</u>	<u>208,827</u>
Total support services	<u>563,599</u>	<u>-</u>	<u>563,599</u>
Total expenses	<u>4,245,656</u>	<u>-</u>	<u>4,245,656</u>
Change in net assets	121,106	(605,508)	(484,402)
Net assets, beginning of year	<u>3,609</u>	<u>1,303,800</u>	<u>1,307,409</u>
Net assets, end of year	<u>\$ 124,715</u>	<u>\$ 698,292</u>	<u>\$ 823,007</u>

See accompanying notes to the financial statements.

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grants and contracts	\$ -	\$ 2,191,109	\$ 2,191,109
Membership dues	825,000	-	825,000
Contributions	101,299	-	101,299
Interest income	3,134	-	3,134
Net assets released from restrictions:			
Satisfaction of grant restrictions	<u>2,812,813</u>	<u>(2,812,813)</u>	<u>-</u>
Total revenues	<u>3,742,246</u>	<u>(621,704)</u>	<u>3,120,542</u>
Expenses:			
Program services:			
Education outreach	1,606,311	-	1,606,311
Domestic and international policy	1,636,854	-	1,636,854
Innovative business	<u>816,892</u>	<u>-</u>	<u>816,892</u>
Total program services	<u>4,060,057</u>	<u>-</u>	<u>4,060,057</u>
Support services:			
Management and general	249,235	-	249,235
Fundraising	<u>448,219</u>	<u>-</u>	<u>448,219</u>
Total support services	<u>697,454</u>	<u>-</u>	<u>697,454</u>
Total expenses	<u>4,757,511</u>	<u>-</u>	<u>4,757,511</u>
Change in net assets	(1,015,265)	(621,704)	(1,636,969)
Net assets, beginning of year	<u>1,018,874</u>	<u>1,925,504</u>	<u>2,944,378</u>
Net assets, end of year	<u>\$ 3,609</u>	<u>\$ 1,303,800</u>	<u>\$ 1,307,409</u>

See accompanying notes to the financial statements.

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ <u>(484,402)</u>	\$ <u>(1,636,969)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	4,824	5,619
Decrease (increase) in assets:		
Grants receivable	13,141	600,905
Accounts receivable	(25,274)	-
Deferred compensation investments	(12,572)	157,397
Increase (decrease) in liabilities:		
Accounts payable	5,694	(15,662)
Grants payable, research contracts	106,000	(5,000)
Payroll liabilities	(758)	591
Accrued expenses	-	(75,000)
Deferred membership dues	40,000	215,000
Deferred compensation obligation	<u>12,572</u>	<u>(157,397)</u>
Total adjustments	<u>143,627</u>	<u>726,453</u>
Net cash used in operating activities	<u>(340,775)</u>	<u>(910,516)</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(6,505)
Proceeds from redemption of certificates of deposit	<u>-</u>	<u>1,003,989</u>
Net cash provided by investing activities	<u>-</u>	<u>997,484</u>
Net (decrease) increase in cash and cash equivalents	(340,775)	86,968
Cash, beginning of year	<u>1,614,132</u>	<u>1,527,164</u>
Cash, end of year	<u>\$ 1,273,357</u>	<u>\$ 1,614,132</u>

See accompanying notes to the financial statements.



**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016 AND 2015**

**1. Organization**

Strategies for the Global Environment, Inc. (Strategies) is a nonprofit, nonstock organization that was incorporated on March 25, 1998 under the laws of the Commonwealth of Delaware. On April 1, 2012 Strategies changed its trade name from The Pew Center on Global Climate Change to Center for Climate and Energy Solutions (C2ES).

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 are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

Use of estimates

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

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016 AND 2015**

Basis of presentation

Strategies' financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, Strategies is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted Net Assets* represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

*Temporarily Restricted Net Assets* represent resources restricted by donors as to purpose or by the passage of time.

*Permanently Restricted Net Assets* represent resources whose use by Strategies is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of Strategies. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

Strategies has no permanently restricted net assets at March 31, 2016 and 2015.

Fair value measurements

Strategies reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on Strategies' own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, Strategies performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Income taxes

Strategies is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables Strategies to accept donations that qualify as charitable contributions to the donor. Strategies is subject to income taxes on taxable income from unrelated business activities. For the years ended March 31, 2016 and 2015, Strategies did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

Strategies is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If material omissions of income exist, tax returns may be subject to examination for up to six years. It is Strategies' policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of March 31, 2016 and 2015, Strategies had no uncertain tax positions which should be recognized as a liability.

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Accounts receivable

Accounts receivable are due in less than one year and 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, 2016 and 2015, management estimates that all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

Grants receivable

Grants receivable are due in less than one year and principally represent project revenues and non-exchange awards 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, 2016 and 2015, management believes all receivables are collectible, therefore, no allowance for doubtful accounts has been recognized.

Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Donated property and equipment is stated at fair value at the date of donation. Depreciation and amortization expense is computed 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	Life of lease

Strategies' policy is to capitalize major additions and improvements over \$500. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Grants payable, research contracts

Research contracts are recognized as expenses and liabilities at the time researchers are entitled to them. This normally occurs when management approves a specific contract and the researcher signs the contract. It is Strategies' policy to require of its researchers periodic financial and program reporting.

In management's opinion, the control that requires periodic reporting by researchers does not cast significant doubt over the payment of future funds and no related provision or allowance is reflected in the financial statements.

Revenue recognition

*Contributions*

Contributions and grants that are considered non-exchange transactions are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. Strategies reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to Strategies' programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

*Grants and contracts*

Certain grant and contract revenue is recognized as earned when the qualifying costs are incurred. Amounts received in advance are recorded as deferred revenue in the accompanying statements of financial position.

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*Membership dues*

Membership dues are recognized as revenue ratably over the applicable dues period. Membership dues received in advance that are applicable to future periods are included in deferred revenue in the accompanying statements of financial position.

*Sponsorships and registration income*

Sponsorships 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 recorded as deferred revenue in the accompanying financial statements.

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.

**3. Concentrations of credit risk**

Strategies maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At March 31, 2016 and 2015, Strategies had bank deposits in excess of FDIC limits of \$289,186 and \$559,350, respectively.

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016 AND 2015**

**4. Property and equipment, net**

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

	<u>2016</u>	<u>2015</u>
Computers	\$ 62,472	\$ 97,842
Computer software	12,306	12,306
Furniture and fixtures	153,746	153,746
Leasehold improvements	63,580	63,580
Artwork	<u>6,463</u>	<u>6,463</u>
 Total property and equipment	 298,567	 333,937
 Accumulated depreciation and amortization	 <u>(287,533)</u>	 <u>(318,079)</u>
 Total property and equipment, net	 <u>\$ 11,034</u>	 <u>\$ 15,858</u>

Depreciation and amortization expense for the years ended March 31, 2016 and 2015 was \$4,824 and \$5,619, respectively.

**5. Deferred compensation investments and obligation**

Strategies maintains a 457(b) retirement plan covering other management employees. The funds are employee directed and invested in Individual Variable Annuities and reported at fair value using Level 3 inputs, since the valuation model utilizes significant inputs that are unobservable. The 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. Strategies may make non-elective contributions to the 457(b) plan. During the years ended March 31, 2016 and 2015, Strategies made no contributions to the plan.

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
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The following table provides a summary of changes in the fair value measurements for the years ended March 31:

	<u>2016</u>	<u>2015</u>
Deferred compensation investments, beginning of year	\$ 118,905	\$ 276,302
Employee cash contributions	18,031	17,094
Unrealized (loss) gain on investments	(5,459)	11,728
Employee cash withdrawals	<u>-</u>	<u>(186,219)</u>
Deferred compensation investments, end of year	<u>\$ 131,477</u>	<u>\$ 118,905</u>

The Individual Variable Annuities are not available for sale or transfer on any securities exchange. Accordingly, transactions in similar investment instruments are not observable. While transactions involving the purchase and sale of individual annuity contracts are not observable in a public marketplace, individual contract value approximates fair value since participants have the option to allocate contributions among equity and fixed income investment choices for which underlying securities have fair values that are readily observable. Management believes the calculation to be a reasonable approximation of the fair value of the deferred compensation plan. The fair value of the deferred compensation plan at March 31, 2016 and 2015 was \$131,477 and \$118,905, respectively, and is reported as an asset and a liability in the statements of financial position.

**6. Temporarily restricted net assets**

At March 31, 2016 and 2015, temporarily restricted net assets consisted of the following:

	<u>2016</u>	<u>2015</u>
Education and outreach	\$ 444,911	\$ 115,344
Domestic and international policy	180,965	515,826
Innovative business	72,416	172,630
Time restriction, general purpose	<u>-</u>	<u>500,000</u>
Total temporarily restricted net assets	<u>\$ 698,292</u>	<u>\$ 1,303,800</u>



**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016 AND 2015**

**7. Net assets released from restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished during the years ended March 31, 2016 and 2015 were as follows:

	<b>2016</b>	<b>2015</b>
Education and outreach	\$ 1,124,708	\$ 738,714
Domestic and international policy	780,123	983,855
Innovative business	600,188	590,244
Time restriction, general purpose	500,000	500,000
 Total net assets released from restrictions	 \$ 3,005,019	 \$ 2,812,813

**8. Commitments**

Operating leases

Strategies entered into a noncancellable lease agreement for office space that was extended until January 2019. At March 31, 2016 and 2015, the base monthly rent was \$30,260 and \$29,377, respectively. In addition to the base monthly rent, Strategies is responsible for its portion of operating costs and real estate taxes. In October 2015, Strategies entered into a sublease agreement for a portion of the office space. The subtenant will pay Strategies 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 year ended March 31, 2016 was \$25,000. Office rental expense for the years ended March 31, 2016 and 2015 was \$338,068 and \$346,288, respectively.

Strategies entered into a lease agreement with Apple, Inc. for computer equipment that commenced in July 2015 and will expire in July 2018. In addition to the base monthly rent of \$875, Strategies will also incur yearly administrative fees in relation to property tax. Rental expense for the equipment totaled \$7,875 for the year ended March 31, 2016.

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
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Strategies entered into a lease agreement for office equipment that commenced in May 2015 and will expire in April 2020. At March 31, 2016, the base monthly rent was \$320. Rent expense for the office equipment was \$3,840 for the year ended March 31, 2016.

Strategies entered into a lease agreement for office equipment that commenced in July 2012 and was terminated in July 2015. The base monthly rent was \$549. Rent expense for the office equipment was \$1,480 and \$6,746 for the years ended March 31, 2016 and 2015, respectively.

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

	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 305,250	\$ 14,340	\$ 319,590
2018	314,433	14,340	328,773
2019	268,672	6,465	275,137
2020	<u>-</u>	<u>3,840</u>	<u>3,840</u>
Total	<u>\$ 888,355</u>	<u>\$ 38,985</u>	<u>\$ 927,340</u>

**9. Concentrations of revenue and support risk**

During the years ended March 31, 2016 and 2015, Strategies received \$910,000 and \$734,378, respectively, from three donors, which is approximately 24% of its total revenue and support for each year. Any significant reduction in such support may adversely impact Strategies' financial position and ability to carry out its existing program activities.

**STRATEGIES FOR THE GLOBAL ENVIRONMENT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. Retirement plan**

Strategies 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, 2016 and 2015 were \$67,314 and \$184,889, respectively.

**11. Subsequent events**

In preparing the financial statements, Strategies has evaluated events and transactions for potential recognition or disclosure through August 2, 2016, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.