CENTER FOR CLIMATE AND ENERGY SOLUTIONS, INC.

FINANCIAL REPORT
March 31, 2023

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 Statements of Financial Position as of March 31, 2023 and 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, 2023 and 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.

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.

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.

Anderson, Davis & Associates, Certified Public Accountants, PA
Suite 204 Crain Professional • 1406B South Crain Highway • Glen Burnie, Maryland 21061
Phone: 410.766.2645 • Fax: 410.766.3110
www.andersondaviscpa.com

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 27, 2024

CENTER FOR CLIMATE AND ENERGY SOLUTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,120,646	$ 4,472,663
Investments	10,846,386	13,405
Grants receivable, net	3,965,757	122,184
Accounts receivable, net	788,624	437,019
Prepaid expenses	158,953	127,573
Total current assets	19,880,366	5,172,844
Property and equipment, net	64,944	72,543
Other assets		
Right-of-Use assets, net	1,265,164	-
Deferred compensation plan investments	296,300	328,250
Deposits	182,762	177,004
Total other assets	1,744,226	505,254
Total assets	$ 21,689,536	$ 5,750,641
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 346,134	$ 293,085
Payroll liabilities	107,104	89,817
Deferred membership dues and refundable advances	1,215,842	1,296,971
Current portion of operating lease liability	380,237	-
Total current liabilities	2,049,317	1,679,873
Noncurrent liabilities		
Deferred rent	-	108,927
Operating lease liability, net of current portion	1,010,958	-
Deferred compensation plan obligation	296,300	328,250
Total noncurrent liabilities	1,307,258	437,177
Total liabilities	3,356,575	2,117,050
Net assets		
Without donor restrictions	3,185,383	2,486,283
With donor restrictions	15,147,578	1,147,308
Total net assets	18,332,961	3,633,591
Total liabilities and net assets	$ 21,689,536	$ 5,750,641

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, contributions, and other support			
Grants and contracts	$ 298,958	$ 16,697,543	$ 16,996,501
Membership dues	1,318,749	-	1,318,749
Sponsorships	788,079	-	788,079
Contributions	1,145,597	2,616,000	3,761,597
Net assets released from restrictions	5,317,392	(5,317,392)	-
Total revenue and support	8,868,775	13,996,151	22,864,926
Expenses			
Program services:			
US policy & outreach	1,942,257	-	1,942,257
International strategies	3,855,899	-	3,855,899
Business engagement	1,460,353	-	1,460,353
Total program services	7,258,509	-	7,258,509
Supporting services:			
Management and general	954,934	-	954,934
Fundraising	169,486	-	169,486
Total supporting services	1,124,420	-	1,124,420
Total expenses	8,382,929	-	8,382,929
Operating income	485,846	13,996,151	14,481,997
Non-operating income and expenses			
Interest income	176,600	-	176,600
Investment loss	(49,737)	-	(49,737)
Other income	86,391	4,119	90,510
Total non-operating income	213,254	4,119	217,373
Change in net assets	699,100	14,000,270	14,699,370
Net assets, beginning of year	2,486,283	1,147,308	3,633,591
Net assets, end of year	$ 3,185,383	$ 15,147,578	$ 18,332,961

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:			
US policy & outreach	625,038	-	625,038
International strategies	2,170,440	-	2,170,440
Business engagement	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 loss	(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

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, 2023

	Program services				Supporting services		
	US policy & outreach	International strategies	Business engagement	Total program services	Management and general	Fundraising	Total
Salaries - general	$ 990,120	$ 347,544	$ 251,832	$ 1,589,496	$ 283,789	$ 30,898	$ 1,904,183
Salaries - key employees	126,053	505,265	267,457	898,775	228,835	82,041	1,209,651
Grants to other organizations	6,689	1,884,586	31,121	1,922,396	-	-	1,922,396
Consulting/authors	183,040	537,173	60,854	781,067	87,201	-	868,268
Conferences and meetings	64,368	69,560	353,199	487,127	13,282	611	501,020
Employee benefits	168,451	119,599	51,223	339,273	73,868	19,916	433,057
Occupancy	116,204	119,429	74,019	309,652	57,853	10,268	377,773
Cost sharing	17,500	-	207,461	224,961	-	-	224,961
Payroll taxes	62,441	64,175	39,774	166,390	31,107	5,517	203,014
Travel	37,636	98,237	26,880	162,753	17,851	8,862	189,466
Advertising and paid outreach	69,582	28,711	26,772	125,065	29,937	2,468	157,470
Professional services	8,037	8,261	13,070	29,368	68,763	710	98,841
Information technology	19,891	20,060	12,453	52,404	12,326	4,359	69,089
Other expenses	14,497	14,538	14,886	43,921	20,792	1,644	66,357
Dues and subscriptions	19,567	18,302	11,255	49,124	2,574	403	52,101
Printing and reproduction	21,125	3,398	4,717	29,240	1,549	275	31,064
Equipment and supplies	8,476	8,031	5,893	22,400	4,549	646	27,595
Depreciation and amortization	7,480	7,688	4,765	19,933	3,724	661	24,318
Insurance	364	374	231	969	8,953	32	9,954
Accounting	685	703	436	1,824	7,841	60	9,725
Postage and delivery	51	265	2,055	2,371	140	115	2,626
Total expenses	$ 1,942,257	$ 3,855,899	$ 1,460,353	$ 7,258,509	$ 954,934	$ 169,486	$ 8,382,929

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

	Program services				Supporting services		
	US policy & outreach	International strategies	Business engagement	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

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, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 14,699,370	$ 1,470,796
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	24,318	22,353
Amortization of right-of-use assets	349,862	-
Loss on disposal of property and equipment	-	195
Donated stock	-	(21,865)
Unrealized loss on investments	6,348	8,460
Decrease (increase) in operating assets:		
Grants receivable	(3,843,573)	1,268,145
Accounts receivable	(351,605)	(64,096)
Prepaid expenses	(31,380)	(18,483)
Deferred compensation plan investments	31,950	(11,108)
Deposits	(5,758)	(32,045)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	53,049	94,106
Payroll liabilities	17,287	(11,610)
Deferred membership dues and refundable advances	(81,129)	(1,081,465)
Operating lease liability	(332,758)	-
Deferred rent	-	(2,811)
Deferred compensation plan obligation	(31,950)	11,108
Net cash provided by operating activities	10,504,031	1,233,137
Cash flows from investing activities		
Purchases of property and equipment	(16,719)	(23,241)
Purchase of investments	(10,839,329)	-
Net cash used in investing activities	(10,856,048)	(23,241)
Cash flows from financing activities		
Payments on capital lease obligation	-	(3,053)
Net cash (used in) provided by financing activities	-	(3,053)
Net change in cash and cash equivalents	(352,017)	1,206,843
Cash and cash equivalents, beginning of year	4,472,663	3,265,820
Cash and cash equivalents, end of year	$ 4,120,646	$ 4,472,663
Supplemental information for cash and cash equivalents		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Noncash transactions:		
Donated stock	$ 8,000,000	$ 21,865
Acquisition of right-to-use asset from operating lease	$ 1,723,953	$ -

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 are reported at fair value. Fair value is 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. Net investment income is reported in the Statement of Activities and consist of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. Investment income is recognized when earned.

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, 2023 and 2022, 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 period may be 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, 2023 and 2022; 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, 2023 and 2022.

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, 2023 and 2022. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2023, and believes they are no longer subject to any income tax examinations for the years prior to March 31, 2019. The Organization's returns generally remain open for IRS and state examination for three years.

Advertising Expense

Advertising expense, which totaled $50,562 and $17,283 for the years ended March 31, 2023 and 2022, respectively, is expensed in the fiscal period incurred. This is included in Advertising and paid outreach in the Statements of Functional Expenses.

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 years ended March 31, 2023 and 2022, the value of in-kind contributions received totaled $0 and $21,116, respectively.

Recently Adopted Accounting Pronouncements

C2ES adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases*, which requires the recognition of a right-to-use ("ROU") asset and a lease liability based on the present value of the remaining lease payments. C2ES adopted the standard by applying the new transition alternative (ASU 2018-11) where an entity initially applies the new standard to all existing leases at the adoption date without restatement to prior periods. C2ES elected the package of practical expedients which permits a lessee to not reassess under the new standard its prior conclusions regarding lease identification, lease classification and initial direct costs. C2ES elected to apply the risk-free rate, for all asset classes, to discount lease payments as permitted under ASU 2021-09. As permitted by the standard, C2ES elected, for all asset classes, the short-term lease exemption in which leases with a term of 12 months or less are not recognized on the Statement of Financial Position.

C2ES adopted FASB ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. C2ES has updated disclosures as necessary.

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:	2023	2022
Cash and cash equivalents	$ 4,120,646	$ 4,472,663
Investments	10,846,386	13,405
Grants receivable	3,965,757	122,184
Accounts receivable	788,624	437,019
Total financial assets	19,721,413	5,045,271
Less amounts not available for general expenditure within one year:		
Assets subject to contractual or donor restriction	15,147,578	1,147,308
Financial assets available to meet general expenditures within one year	$ 4,573,835	$ 3,897,963

Note 3. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)**

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. **INVESTMENTS AND FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobserved inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the statement of financial position are categorized based on the inputs to valuation techniques as follows:

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. (e.g., equity securities traded on the New York Stock Exchange).

Level 2 – Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).

Level 3 – Level 3 inputs are unobservable (e.g., a company's own data) and should be used to measure fair value to the extent that observable inputs are not available.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of the observable inputs and minimize the use of the unobservable inputs.

Investments are stated at fair value and consist of the following at December 31, 2023:

	Level 1	Level 2	Level 3	Total
Marketable securities	$ 18,307	$ -	$ -	$ 18,307
U.S. treasuries	10,828,079	-	-	10,828,079
	$ 10,846,386	$ -	$ -	$ 10,846,386

Investments are stated at fair value and consist of the following at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Marketable securities	$ 13,405	$ -	$ -	$ 13,405
	$ 13,405	$ -	$ -	$ 13,405

Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect account balances and the amounts reported in the accompanying financial statements.

Note 4. **INVESTMENTS AND FAIR VALUE MEASUREMENT (continued)**

Net investment income consists of the following for the year ended December 31,:

	2023	2022
Interest	$ 176,600	$ 1,263
Gain (loss) on investments	(43,389)	-
Unrealized loss	(6,348)	(8,460)
Total	$ 126,863	$ (7,197)

Note 5. **PROPERTY AND EQUIPMENT**

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

	2023	2022
Computers	$ 16,294	$ 10,957
Furniture and fixtures	96,955	92,612
Equipment	30,646	23,858
Leasehold improvements	9,532	9,532
	153,427	136,959
Less: accumulated depreciation and amortization	(88,483)	(64,416)
Property and equipment, net	$ 64,944	$ 72,543

Depreciation and amortization expense for the years ended March 31, 2023 and 2022 was $24,318 and $22,354, respectively.

Note 6. **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, 2023 and 2022, the Organization made no contributions to the plan. As of March 31, 2023 and 2022, the obligation to the covered participants under the Plan was $296,300 and $328,250, 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.

Note 6. **DEFERRED COMPENSATION PLAN INVESTMENTS AND OBLIGATION (continued)**

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.

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:

	2023	2022
Deferred compensation investments, beginning of year	$ 328,250	$ 317,142
Unrealized (loss) gain on investments	(31,950)	11,108
Deferred compensation investments, end of year	$ 296,300	$ 328,250

Note 7. **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 8. **NET ASSETS WITH DONOR RESTRICTIONS**

At March 31, 2023 and 2022, net assets with donor restrictions consisted of the following:

	2023	2022
US policy & outreach	$ 4,490,555	$ 609,858
International strategies	9,158,946	95,923
Business engagement	1,498,077	441,527
Total net assets with donor restrictions	$ 15,147,578	$ 1,147,308

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished during the years ended March 31, 2023 and 2022 were as follows:

	2023	2022
US policy & outreach	$ 1,439,679	$ 376,549
International strategies	3,542,682	842,041
Business engagement	335,031	1,945,061
Total net assets released from restrictions	$ 5,317,392	$ 3,163,651

Note 9. **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, 2023 and 2022, cash balances exceeded federal insurance limits by $3,545,422 and $3,672,667, 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 the years ended March 31, 2023 and 2022, the Organization received 55% and 18% of its revenue from three and two donors, respectively.

Note 10. **OPERATING LEASES**

The Organization entered into a lease agreement for office space in January 2019 which expires in February 2027. As of March 31, 2022, the base monthly rent is $29,255 with annual escalations of 2.5%. Lease expense for the office space for the years ended March 31, 2023 and 2022 was $369,626 and $369,626, respectively. In addition, the Organization entered into a sublease agreement for a portion of the office space commencing in January 2019. As of March 31, 2022, the base monthly rent is $6,729 with annual escalations of 2.5%. 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, 2023 and 2022 was $81,080 and $79,098, respectively.

The Organization entered into a lease agreement with Apple, Inc. for computer equipment that commenced in April 2021 and expires in April 2024. The lease agreement calls for monthly rent payments of $951. Lease expense for the equipment for the years ended March 31, 2023 and 2022 was $11,414 and $11,414, respectively.

The Organization entered into a lease agreement for office equipment that commenced in December 2019 and expires in November 2024. The lease agreement calls for monthly rent payments of $285. Lease expense for the office equipment for the years ended March 31, 2023 and 2022 was $3,420 and $3,420, respectively.

Below are the Organization’s costs recognized in the Statement of Activities for the year ended March 31, 2023, as well as additional quantitative information relating to its leases.

Operating lease cost	$	384,460
Operating cash flows from operating leases	$	367,356
Right-to-use assets obtained in exchange for new operating lease liabilities	$	1,723,953
Weighted-average remaining lease term (years) – operating leases		3.79
Weighted-average discount rate – operating leases		2.21%

The future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

Note 10. **OPERATING LEASES (continued)**

Years ending March 31,		
2024	$	380,237
2025		374,159
2026		379,537
2027		322,865
		1,456,798
Less amounts representing imputed interest		(65,603)
	$	1,391,195

The future minimum sublease income required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

2024	$	83,099
2025		85,169
2026		87,293
2027		73,301
	$	328,862

During the year ended March 31, 2023, the Organization entered into a non-cancellable three-month lease agreement with Apple, Inc. for computer equipment that commences in April 2023. After the three-month non-cancellable period ends, the lease term becomes month-to-month indefinitely with a base monthly rent payment of $342. Management plans to terminate the month-to-month lease in June 2024.

Note 11. **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, 2023 and 2022 were $106,511 and $91,844, respectively.

Note 12. **SUBSEQUENT EVENTS**

In preparing these financial statements, C2ES has evaluated events and transactions for potential recognition or disclosure through June 27, 2024, which is the date the financial statements were available to be issued.

Subsequent to March 31, 2023, the C2ES Board of Directors voted to exercise the option to terminate the current office space lease in Arlington, Virginia and sign a new lease for office space in Washington, D.C. A termination fee of $398,260 is required to terminate the old lease. A deposit of $121,541 plus first month's rent of $60,770 were paid to the new landlord in December 2023. The new lease commences in November 2024 starting with a 24-month "rent-free" period. The base monthly rent of $63,848 begins in November 2026 with annual escalations of 2.5%. Future minimum lease payments are as follows for the years ending March 31,:

2024	$	-
2025		-
2026		-
2027		319,240
2028		774,165
Thereafter		7,490,385
	$	8,583,790