

Center for Climate and Energy Solutions, Inc.

Financial Statements

For the Years Ended March 31, 2019 and 2018



HERTZBACH
certified public accountants • consultants

Center for Climate and Energy Solutions, Inc.

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For the Years Ended March 31, 2019 and 2018

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Center for Climate and Energy Solutions, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

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Emphasis of Matter

As discussed in Note 3 of the financial statements, during the year ended March 31, 2019, Center for Climate and Energy Solutions, Inc. adopted Financial Accounting Standards Board Update (ASU) No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Climate and Energy Solutions, Inc. as of March 31, 2019 and 2018, 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.

Hertzbach & Company, P.A.

Arlington, Virginia
September 4, 2019

Center for Climate and Energy Solutions, Inc.

Statements of Financial Position
For the Years Ended March 31, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 1,913,967	\$ 1,971,800
Grants receivable	726	13,852
Accounts receivable	1,274,762	232,133
Prepaid expenses	42,742	71,585
Total current assets	<u>3,232,197</u>	<u>2,289,370</u>
Property and equipment, net	110,244	6,463
Other assets		
Deferred compensation investments	213,440	191,324
Deposits	81,488	28,522
Total other assets	<u>294,928</u>	<u>219,846</u>
Total assets	<u>\$ 3,637,369</u>	<u>\$ 2,515,679</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 565,429	\$ 71,768
Payroll liabilities	87,387	45,575
Accrued expenses	41,519	164,434
Deferred membership dues	592,000	560,750
Current portion of capital lease	4,034	-
Total current liabilities	<u>1,290,369</u>	<u>842,527</u>
Noncurrent liabilities		
Deferred rent	47,289	-
Capital lease, net of current portion	6,828	-
Deferred compensation obligation	213,440	191,324
Total liabilities	<u>1,557,926</u>	<u>1,033,851</u>
Net assets		
Without donor restrictions	479,554	534,514
With donor restrictions	1,599,889	947,314
Total net assets	<u>2,079,443</u>	<u>1,481,828</u>
Total liabilities and net assets	<u>\$ 3,637,369</u>	<u>\$ 2,515,679</u>

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Grants and contracts	\$ 350,395	\$ 3,009,171	\$ 3,359,566
Membership dues	989,500	-	989,500
Sponsorships	527,167	-	527,167
Registration income	186,047	-	186,047
Contributions	264,580	-	264,580
Interest income	20,348	-	20,348
Other income	11,842	-	11,842
Net assets released from restrictions	2,356,596	(2,356,596)	-
Total revenue and support	4,706,475	652,575	5,359,050
Expenses			
Program services:			
Domestic policy	1,467,999	-	1,467,999
International policy	1,348,251	-	1,348,251
Innovative business	1,203,845	-	1,203,845
Total program services	4,020,095	-	4,020,095
Supporting services:			
Management and general	533,807	-	533,807
Fundraising	207,533	-	207,533
Total supporting services	741,340	-	741,340
Total expenses	4,761,435	-	4,761,435
Change in net assets	(54,960)	652,575	597,615
Net assets, beginning of year	534,514	947,314	1,481,828
Net assets, end of year	\$ 479,554	\$ 1,599,889	\$ 2,079,443

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

Center for Climate and Energy Solutions, Inc.

Statement of Activities

For the Year Ended March 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Grants and contracts	\$ -	\$ 2,711,065	\$ 2,711,065
Membership dues	982,370	-	982,370
Sponsorships	429,777	-	429,777
Registration income	186,335	-	186,335
Contributions	256,234	-	256,234
Interest income	972	-	972
Other income	29,520	-	29,520
Net assets released from restrictions	2,503,114	(2,503,114)	-
Total revenue and support	4,388,322	207,951	4,596,273
Expenses			
Program services:			
Domestic policy	1,897,551	-	1,897,551
International policy	1,377,263	-	1,377,263
Innovative business	495,560	-	495,560
Total program services	3,770,374	-	3,770,374
Supporting services:			
Management and general	363,420	-	363,420
Fundraising	193,060	-	193,060
Total supporting services	556,480	-	556,480
Total expenses	4,326,854	-	4,326,854
Change in net assets	61,468	207,951	269,419
Net assets, beginning of year	473,046	739,363	1,212,409
Net assets, end of year	\$ 534,514	\$ 947,314	\$ 1,481,828

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, 2019

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries - general	\$ 1,154,864	\$ 249,596	\$ 127,574	\$ 1,532,034
Salaries - key employees	655,054	118,333	29,572	802,959
Consulting/authors	542,115	-	-	542,115
Conferences and meetings	397,586	14,009	857	412,452
Occupancy	284,119	43,214	16,763	344,096
Employee benefits	246,166	37,758	14,680	298,604
Travel	203,542	4,893	3,307	211,742
Cost sharing	158,080	-	-	158,080
Payroll taxes	125,070	19,196	7,463	151,729
Professional services	34,751	15,989	640	51,380
Information technology	45,503	2,423	942	48,868
Equipment and supplies	42,172	4,307	1,575	48,054
Printing and reproduction	40,863	2,586	1,013	44,462
Dues and subscriptions	37,431	750	292	38,473
Other expenses	26,622	2,798	1,756	31,176
Accounting	6,500	12,748	388	19,636
Insurance	6,016	4,428	359	10,803
Advertising	8,000	-	-	8,000
Depreciation	3,891	597	232	4,720
Postage and delivery	1,750	182	120	2,052
Total expenses	<u>\$ 4,020,095</u>	<u>\$ 533,807</u>	<u>\$ 207,533</u>	<u>\$ 4,761,435</u>

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, 2018

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries - general	\$ 1,042,624	\$ 209,289	\$ 116,187	\$ 1,368,100
Salaries - key employees	699,248	41,250	27,500	767,998
Occupancy	293,345	31,094	16,360	340,799
Conferences and meetings	296,900	15,453	604	312,957
Employee benefits	251,354	26,646	14,170	292,170
Consulting/authors	297,787	-	-	297,787
Travel	180,788	919	6,890	188,597
Cost sharing	178,434	-	-	178,434
Payroll taxes	123,943	13,139	6,987	144,069
Public relations support	164,721	-	-	164,721
Information technology	102,342	2,300	1,207	105,849
Printing and reproduction	42,033	1,286	684	44,003
Equipment and supplies	27,579	2,504	1,200	31,283
Dues and subscriptions	29,370	361	112	29,843
Other expenses	23,384	442	235	24,061
Accounting	7,257	13,939	409	21,605
Insurance	6,702	4,214	377	11,293
Depreciation	1,428	151	81	1,660
Postage and delivery	1,135	65	57	1,257
Professional services	-	368	-	368
Total expenses	<u>\$ 3,770,374</u>	<u>\$ 363,420</u>	<u>\$ 193,060</u>	<u>\$ 4,326,854</u>

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

Center for Climate and Energy Solutions, Inc.

Statements of Cash Flows

For the Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 597,615	\$ 269,419
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	4,720	1,660
Loss on disposal	6,463	-
Change in operating assets:		
Grants receivable	13,126	7,460
Accounts receivable	(1,042,629)	(163,916)
Prepaid expenses	28,843	(19,909)
Deferred compensation investments	(22,116)	(33,222)
Deposits	(52,966)	-
Change in operating liabilities:		
Accounts payable	493,661	(88,631)
Payroll liabilities	41,812	454
Accrued expenses	(122,915)	34,051
Deferred rent	47,289	-
Deferred membership dues	31,250	30,050
Deferred compensation obligation	22,116	33,222
Net cash and cash equivalents provided by operating activities	<u>46,269</u>	<u>70,638</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(102,862)</u>	<u>-</u>
Net cash and cash equivalents used in investing activities	<u>(102,862)</u>	<u>-</u>
Cash flows from financing activities		
Payments on capital lease obligation	<u>(1,240)</u>	<u>-</u>
Net cash and cash equivalents provided by financing activities	<u>(1,240)</u>	<u>-</u>
Net change in cash and cash equivalents	(57,833)	70,638
Cash and cash equivalents, beginning of year	<u>1,971,800</u>	<u>1,901,162</u>
Cash and cash equivalents, end of year	<u>\$ 1,913,967</u>	<u>\$ 1,971,800</u>
Non-cash investing and financing activities		
Acquisition of equipment by entering into capital leases	<u>\$ 12,102</u>	<u>\$ -</u>

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

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2019 and 2018

1) Nature of Business

Center for Climate and Energy Solutions, Inc. (“C2ES” or the “Organization”), formerly Strategies for the Global Environment, Inc., is a nonprofit, nonstock organization that was incorporated on March 25, 1998 under the laws of the Commonwealth of Delaware. On August 8, 2016, the Organization changed its name from Strategies for the Global Environment, Inc. to Center for Climate and Energy Solutions, Inc.

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

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

2) Summary of Significant Accounting Policies

Basis of Accounting

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

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.

Basis of Presentation

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

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

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

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

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

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2019 and 2018

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, 2019 and 2018, management estimates that all receivables are fully collectible; therefore, no allowance for doubtful accounts has been recorded.

Grants Receivable

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

Management considers all grant receivables to be collectible as of March 31, 2019 and 2018; therefore, no allowance for doubtful accounts has been recorded.

Deferred Compensation Investments

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

Property and Equipment

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

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

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

Grants Payable, Research Contracts

Costs incurred under research contracts are recognized as expenses at the time research is performed. It is C2ES's policy to require of its researchers periodic financial and program reporting. The future payment of research funds is not contingent on the requirement for periodic reporting by researchers.

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

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2019 and 2018

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 statements in the period the condition is met. Grant revenue is recorded when expenses are incurred unless the grant is unconditional.

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.

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 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. Expenses directly attributed to a specific functional area of C2ES are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates

Reclassification

Certain amounts in 2018 have been reclassified to conform to 2019 presentation. There was no effect on the 2018 change in net assets as a result of these reclassifications.

Income Taxes

C2ES qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As a result, C2ES is not subject to federal income taxes, except for taxes on unrelated business income. There was no significant unrelated business income for the years ended March 31, 2019 and 2018.

3) Accounting Pronouncements Adopted

In 2018, C2ES adopted ASU No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The main provisions of this update include: presentation of two classes of net assets (reduced from three classes); reporting investment return net of external and direct internal investment expenses; qualitative information about management of liquidity; quantitative information about

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

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2019 and 2018

3) Accounting Pronouncements Adopted (Continued)

financial assets available within one year; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions.

The Organization's March 31, 2018 net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization's March 31, 2018 net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets as of March 31, 2018.

4) Property and Equipment

The following is a summary of property and equipment held at March 31, 2019 and 2018:

	2019	2018
Computers	\$ 4,682	\$ 62,473
Computer software	-	12,306
Furniture and fixtures	90,984	147,435
Equipment	12,102	-
Leasehold improvements	9,532	63,580
Artwork	-	6,463
	<u>117,300</u>	<u>292,257</u>
Less: accumulated depreciation	<u>(7,056)</u>	<u>(285,794)</u>
Property and equipment, net	<u>\$ 110,244</u>	<u>\$ 6,463</u>

Depreciation and amortization expense for the years ended March 31, 2019 and 2018 was \$4,720 and \$1,660, respectively.

5) Deferred Compensation Investments and Obligation

C2ES maintains a 457(b)-retirement plan (Plan) covering certain management employees. Employees can elect to defer up to 100% of their compensation in accordance with Internal Revenue Service deferral limits. Participants in the 457(b) plan are entitled to be vested into the plan as of the first day of employment. C2ES may make non-elective contributions to the 457(b) plan. During the years ended March 31, 2019 and 2018, C2ES made no contributions to the plan. As of March 31, 2019 and 2018, the obligation to the covered participants under the Plan was \$213,440 and \$191,324, 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

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

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2019 and 2018

5) Deferred Compensation Investments and Obligation (Continued)

zero percent. The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date.

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

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

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

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

The following table provides a summary of changes in the contract value for the years ended March 31, 2019 and 2018:

	2019	2018
Deferred compensation investments, beginning of year	\$ 191,324	\$ 158,102
Employee cash contributions	18,750	17,250
Unrealized gain on investments	6,212	15,972
Other	(2,846)	-
Deferred compensation investments, end of year	<u>\$ 213,440</u>	<u>\$ 191,324</u>

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

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2019 and 2018

6) Net Assets with Donor Restrictions

At March 31, 2019 and 2018, net assets with donor restrictions consisted of the following:

	2019	2018
Domestic policy	\$ 556,746	\$ 174,140
International policy	70,375	405,335
Innovative business	972,768	367,839
Total net assets with donor restrictions	<u>\$ 1,599,889</u>	<u>\$ 947,314</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished during the years ended March 31, 2019 and 2018 were as follows:

	2019	2018
Domestic policy	\$ 572,278	\$ 1,415,033
International policy	939,999	863,547
Innovative business	844,319	224,534
Total net assets released from restrictions	<u>\$ 2,356,596</u>	<u>\$ 2,503,114</u>

7) Concentrations of Risk

Financial Institutions

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, 2019 and 2018, cash balances exceeded federal insurance limits by \$1,015,789 and \$1,311,239, respectively.

Concentration of Revenue

The Organization receives a substantial portion of its support from donors. The Organization relies on the support of these donors to ensure the continuing operations of the organization. During each of the years ended March 31, 2019 and 2018, C2ES received 33% and 28%, respectively of its revenue from three donors.

8) Commitments

Operating Leases

C2ES had a noncancelable lease for office space that expired in January 2019. The base monthly rent was \$32,107. In addition to the base monthly rent, C2ES was responsible for its portion of operating costs and real estate taxes. C2ES had a sublease agreement for a portion of the office space that expired in January 2019.

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

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2019 and 2018

9) Commitments (Continued)

C2ES entered into a new lease agreement for office space commencing in January 2019. The base monthly rent is \$27,163. C2ES entered into a sublease agreement for a portion of the office space commencing in January 2019. The subtenant will pay C2ES for a portion of the office space as well as additional costs for the use of office equipment and telecommunications. Subtenant rental income for the years ended March 31, 2019 and 2018 was \$70,908 and \$66,378, respectively. Office rental expense, net of sublease income, for the years ended March 31, 2019 and 2018 was \$320,924 and \$319,482, respectively.

C2ES entered into a lease agreement with Apple, Inc., for computer equipment, that commenced in July 2015 and expired in July 2018. In addition to the base monthly rent of \$875, C2ES also incurred yearly administration fees in relation to property tax. Rental expense for the equipment for the years ended March 31, 2019 and 2018 totaled \$10,935.

C2ES entered into a lease agreement, for office equipment, that commenced in May 2015 and will expire in April 2020. For the year ended March 31, 2019, the base rent was \$320. Rent expense for the office equipment for the years ended March 31, 2019 and 2018 was \$3,840.

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

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

For the years ending March 31,	Office	Equipment	Total	Sublease income
2020	\$ 276,489	\$ 16,385	\$ 292,874	\$ 75,281
2021	335,496	12,865	348,361	77,164
2022	343,905	3,136	347,041	79,098
2023	352,522	-	352,522	81,080
2024	361,301	-	361,301	83,099
Thereafter	1,133,110	-	1,133,110	239,296
Total	<u>\$ 2,802,823</u>	<u>\$ 32,387</u>	<u>\$ 2,835,210</u>	<u>\$ 635,018</u>

Capital Leases

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

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

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2019 and 2018

8) Commitments (Continued)

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

For the years ending March 31,	Total
2020	\$ 4,034
2021	4,034
2022	<u>2,716</u>
Total minimum lease payments	<u>10,784</u>
Less: current portion of long-term obligations under capital lease	<u>4,034</u>
Long-term obligations under capital lease, net of current portion	<u><u>\$ 6,750</u></u>

9) Employee Benefit Plans

C2ES sponsors a 403(b)-pension plan available for eligible employees who work more than 20 hours per week. Employer contributions are discretionary each plan year and are 100% vested at all times. Participation in employer discretionary contributions requires the completion of three months of service. Total employer discretionary contributions for the years ended March 31, 2019 and 2018 were \$81,151 and \$63,746, respectively.

10) Liquidity Analysis

The following reflects C2ES's financial assets as of March 31, 2019:

Financial assets as of March 31, 2019

Cash and cash equivalents	1,913,967
Grants receivable	726
Accounts receivable	<u>1,274,762</u>
Total financial assets	3,189,455
Less those unavailable for general expenditure within one year due to:	
Donor-imposed restrictions	<u>(1,599,889)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>1,589,566</u></u>

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

Center for Climate and Energy Solutions, Inc.

Notes to the Financial Statements (Continued)
For the Years Ended March 31, 2019 and 2018

10) Liquidity Analysis (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 has no debt on the statement of financial position as of March 31, 2019 and typically pays its obligations using cash. The Organization invests cash balances in excess of daily requirements in short term money market investments. As of March 31, 2019, the Organization has financial assets equal to approximately 4 months of operating expenses.

11) Subsequent Events

In preparing the financial statements, C2ES has evaluated events and transactions for potential recognition or disclosure through September 4, 2019, 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.

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