THE CLIMATE CENTER

FINANCIAL STATEMENTS

June 30, 2021

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

THE CLIMATE CENTER

Contents

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Climate Center
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of The Climate Center, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the year 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 audit. We conducted our audit 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Climate Center as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Crosby & Kaneda CPAs LLP

Oakland, California
October 20, 2021

THE CLIMATE CENTER

Statement of Financial Position
June 30, 2021

Assets

Assets		
Cash and cash equivalents	$	1,001,377
Investments		11,390
Accounts receivable		28,420
Grants receivable (Note 3)		50,000
Prepaid expenses and supplies		41,152
Total Assets	$	1,132,339

Liabilities and Net Assets

Liabilities		
Accounts payable and accrued expenses	$	88,736
Accrued paid time off		113,525
EIDL Loan (Note 5)		150,000
Total Liabilities		352,261
Net Assets		
Without donor restrictions (Note 7)		612,427
With donor restrictions (Note 8)		167,651
Total Net Assets		780,078
Total Liabilities and Net Assets	$	1,132,339

THE CLIMATE CENTER

Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions			
Individual	$ 1,019,448	$ 73,500	$ 1,092,948
Business	281,338		281,338
Foundation	302,354	160,000	462,354
Government	9,909	25,000	34,909
Paycheck Protection Program	236,739		236,739
In-kind support (Note 9)	94,580		94,580
Interest and other	2,329		2,329
Support provided by expiring time and purpose restrictions	122,599	(122,599)	-
Total Support and Revenue	2,069,296	135,901	2,205,197
Expenses			
Program			
Climate-Safe California	1,392,927		1,392,927
Fiscal projects	73,550		73,550
Total Program	1,466,477		1,466,477
Management and general	322,696		322,696
Fundraising	329,385		329,385
Total Expenses	2,118,558	-	2,118,558
Change in Net Assets	(49,262)	135,901	86,639
Net Assets, beginning of year	661,689	31,750	693,439
Net Assets, end of year	$ 612,427	$ 167,651	$ 780,078

See Notes to the Financial Statements

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Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities	
Change in net assets	$ 86,639
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
Donated stock, net fees	(38,665)
Change in assets and liabilities:	
Accounts receivable	25,881
Grants receivable	(50,000)
Prepaid expenses and supplies	1,685
Accounts payable and accrued expenses	38,322
Accrued paid time off	24,555
Net cash provided (used) by operating activities	88,417
Cash flows from investing activities	
Proceeds from community foundation account	45,000
Net cash provided (used) by investing activities	45,000
Net change in cash and cash equivalents	133,417
Cash and cash equivalents, beginning of year	867,960
Cash and cash equivalents, end of year	$ 1,001,377
Supplemental Information	
Donated stock	$ 38,665

See Notes to the Financial Statements

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Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program	Management and General	Fundraising	Total
Salaries	$ 845,486	$ 232,331	$ 180,089	$ 1,257,906
Retirement contributions	4,896	1,345	1,043	7,284
Other employee benefits	121,825	34,623	21,565	178,013
Payroll taxes	62,094	17,410	14,167	93,671
Total Personnel	$ 1,034,301	$ 285,709	$ 216,864	$ 1,536,874
Grants and scholarships	47,450	-	-	47,450
Fees for service	189,227	10,267	70,166	269,660
Advertising and promotion	50,784	444	345	51,573
Supplies and office expenses	11,956	7,758	17,290	37,004
Occupancy	5,203	1,430	1,108	7,741
Travel and meals	491	382	85	958
Information technology	34,635	4,429	17,544	56,608
Conferences and meetings	592	95	20	707
Insurance	634	3,091	135	3,860
Dues, licenses, service fees	8,130	2,500	913	11,543
In-kind services and rent	83,074	6,591	4,915	94,580
Total Expenses	$ 1,466,477	$ 322,696	$ 329,385	$ 2,118,558

NOTE 1: NATURE OF ACTIVITIES

The Climate Center is a climate and energy policy nonprofit organization whose mission is to rapidly reduce climate pollution at scale, starting in California. The Climate Center works with business, government, environment and environmental justice organizations, academics and others to accelerate equitable climate policy. Governed by a board of directors, The Climate Center is exempt from income taxes under Internal Revenue Code Section 501 (c)(3) and section 23701(d) of the California Revenue and Taxation Code.

Climate-Safe California is a unique and comprehensive campaign to make California the first state in the nation to become carbon negative. Endorsed by hundreds of businesses, elected officials, and nonprofits and more than 1,000 individuals, Climate-Safe California offers climate solutions at the speed and scale that science demands. It's a set of policies that would allow California to remove more climate pollution from the atmosphere than we emit by 2030 while creating thousands of jobs and building a more equitable clean energy economy. Climate-Safe California — and all of The Climate Center's work — is guided by these core principles: follow the latest science, secure a just transition for fossil fuel workers and their families, and prioritize climate justice with equitable access to climate solutions.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor-imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounting for Revenue

The Organization recognizes revenue as performance obligations are satisfied.

Revenue is recognized over time when any of the following conditions are met: The customer receives and consumes the benefits provided by the Organization's performance as the Organization performs; the Organization's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or the work does not create an asset with an alternative use to the Organization and the entity has a right to payment for performance completed to date.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met. Revenue from the sales of goods or merchandise are recognized at the point in time when the goods or merchandise are provided to the customer.

Paycheck Protection Program

The Organization received a loan and believes it met the expenditure requirements under the Paycheck Protection Program and concludes that the loan represents, in substance, funding from a governmental assistance program. The Organization accounts for such funding in accordance with *FASB ASC 958-605* as conditional support based on compliance with program terms and allocation of eligible costs to this funding.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of June 30, 2021 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with specialized skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the 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 during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents except for brokerage cash and money market fund balances held for investment purposes which are included in investments. Cash held for investment purposes is classified with investments. For statement of cash flow purposes, proceeds from investments reflect transfers from investment accounts to operating accounts, and additions to investment reflect transfers from operating accounts to investment accounts.

Investments

Investments consisted of funds held at a local community foundation (the Foundation), which are invested with an 60%/40% allocation to the Foundation's intermediate and short-term investment pools respectively.

Fair Value Measurements

The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization used the Net Asset Value practical expedient to value its investment holdings on a fair value basis as of June 30, 2021.

Prepaid Expenses and Supplies

Prepaid expenses and supplies consist of amounts paid in advance of a vendors related performance obligations as well as a supply of climate related DVD’s.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost. The Organization capitalizes all expenditures for property and equipment over $2,500; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on property and equipment. The Organization had no property and equipment that met this capitalization policy as of June 30, 2021.

Expense Recognition and Allocation

The cost of providing the Organization’s programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

The cost of the CEO's compensation is allocated based on estimate of their time spent on each function. Compensation for other staff are allocated based on time reported under each function in the organization's time tracking system.

Certain common costs, including benefits, taxes, information technology costs, occupancy expenses and use of paid time off are allocated based on staff salary expense for a given period.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred.

Changes in Accounting Principles

The Organization adopted *ASU 2014-09 – Revenue from Contracts with Customers (Topic 606)* during the year ended June 30, 2021. This guidance requires an entity to recognize revenue as performance obligations such as the delivery of services, or transfer of goods are completed. The adoption of ASU 2014-09 did not result in a material change to timing of when revenue is recognized.

NOTE 3: GRANTS RECEIVABLE

Grants receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise if such a discount would be material. Promises that remain uncollected more than two years after their due dates are written off unless the donors indicate that payment is merely postponed. The Organization considers all contributions receivable to be fully collectible at June 30, 2021. If amounts become uncollectible, they are charged to expense in the period in which that determination is made. Grants receivable consisted of the following as of June 30, 2021:

Due within one year	$ 25,000
Between one and two years.	25,000
Total	$ 50,000

NOTE 4: CONTINGENCIES

Compliance with Donor Restrictions

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

Paycheck Protection Program

Guidance related to this program is evolving. The SBA reserves the right to audit any forgiveness granted, and such audit activity, if any, may result in changes to amounts forgiven or a requirement to return funds received under the program. Management of the Organization is of the opinion the Organization complied with the terms of the program.

NOTE 5: ECONOMIC INJURY DISASTER LOAN

In May 2020, the Organization received an economic injury disaster loan (EIDL) for $150,000 bearing interest at 2.75% with principal and interest payments of approximately $641 commencing June 2022 through July 2051. The future scheduled maturities of the EIDL are as follows for the years ending June 30:

2022	$ 282
2023	3,438
2024	3,533
2025	3,632
2026	3,733
Thereafter	135,382
Total	$ 150,000

NOTE 6: LINE OF CREDIT

The Organization maintains a $200,000 line of credit with River City Bank to be drawn down upon as needed through March 2023, with an interest rate at 1.5% above the bank's Base Commercial Loan Rate. The minimum interest rate on the line is 3.25%. The rate on the line as of June 30, 2021 was 4.75%. Amounts drawn on the line of credit and not repaid during the draw down period must be paid in amortizing payments through the line of credit maturity date of March 2024 based on a fixed rate based on the 1 year constant maturity rate plus 3% set at the beginning of the term amortization period.

NOTE 7: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions were available as follows as of June 30, 2021:

Board designated – reserve	$ 185,064
Undesignated	427,363
Total	$ 612,427

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of June 30, 2021:

Funding Climate Action	$ 2,512
Community Energy Resilience	115,139
Time restricted	50,000
Total	$ 167,651

NOTE 9: IN-KIND CONTRIBUTIONS

The Organization benefited from in-kind support as follows during the year ended June 30, 2021:

Skilled services – advertising and marketing	$ 60,000
Skilled services – other	250
Facility	34,330
Total	$ 94,580

NOTE 10: CONCENTRATIONS

Revenue Concentration

The Organization received 32% of its support and revenue from four funders, including PPP funding during the year ended June 30, 2021. All grants receivable were due from one funder as of June 30, 2021

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by monitoring the financial strength of the institutions holding such amounts.

NOTE 11: RETIREMENT PLAN

The Organization provides a 401(k) retirement plan for eligible employees. Under the plan, staff may make regular and Roth contributions as well as catch-up contributions. The Organization may provide an optional employer contribution or matching contribution for staff who have completed 1,000 hours of service. Contributions by the Organization were $7,284 during the year ended June 30, 2021.

NOTE 12: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 include the following:

Cash and cash equivalents	$ 1,001,377
Investments	11,390
Grants receivable, current portion	25,000
Accounts receivable	28,420
Less purpose-restricted net assets	(117,651)
Less board designated reserve	(185,064)
Total	$ 763,472

The above reflects board-designated funds as unavailable because it is the Organization's intention to hold those resources for the long-term support of the Organization. However, in the case of need, the Board of Directors could appropriate resources from the board designated funds. The Organization's working capital and cash flows vary during the year based on the timing of grant awards and other factors. As part of the Organization's liquidity management plan, the Organization maintains a $200,000 line of credit and holds excess cash balances, if any, in a money market account.

NOTE 13: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of October 20, 2021, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Public Health Order - Coronavirus

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations and workforce.

Paycheck Protection Program – Second Draw

The Organization received notice July 2021 that its PPP loan funding – second draw had been forgiven. The Organization had recorded such funding as revenue once the related conditions were met, and this forgiveness was consistent with that treatment.