

CLIMATE SOLUTIONS

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2019 AND 2018



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Climate Solutions
Seattle, Washington

We have audited the accompanying financial statements of Climate Solutions (a nonprofit organization), which comprise the statements of financial position as of December 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Climate Solutions as of December 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.

A handwritten signature in cursive script that reads "Jones & Associates PLLC, CPAs".

Jones & Associates PLLC, CPAs
October 1, 2020

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CLIMATE SOLUTIONS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,190,605	\$ 1,098,224
Certificate of deposit	154,452	153,124
Accounts receivable	24,387	23,189
Contributions and grants receivable, current	157,250	171,563
Prepaid expenses and other assets	33,063	73,130
Total current assets	1,559,757	1,519,230
Contributions and grants receivable, long-term	97,021	2,000
Property and equipment, net	25,322	22,798
	\$ 1,682,100	\$ 1,544,028
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 91,392	\$ 102,466
Accrued payroll and related	152,864	161,647
Total current liabilities	244,256	264,113
 NET ASSETS		
Without donor restrictions	554,321	417,415
With donor restrictions - purpose and time	883,523	862,500
	1,437,844	1,279,915
	\$ 1,682,100	\$ 1,544,028

**CLIMATE SOLUTIONS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,967,500	\$ 423,323	\$ 2,390,823
Grants	125,285	919,700	1,044,985
Special event registration	72,174	-	72,174
Interest and other	9,434	-	9,434
	<u>2,174,393</u>	<u>1,343,023</u>	<u>3,517,416</u>
Net asset releases:			
Satisfaction of program restrictions	1,222,000	(1,222,000)	-
Expiration of time restrictions	100,000	(100,000)	-
Total net asset releases	<u>1,322,000</u>	<u>(1,322,000)</u>	<u>-</u>
 Total support and revenue	 <u>3,496,393</u>	 <u>21,023</u>	 <u>3,517,416</u>
EXPENSES			
Program services	2,437,187	-	2,437,187
Management and general	401,711	-	401,711
Fundraising and development	520,589	-	520,589
Total expenses	<u>3,359,487</u>	<u>-</u>	<u>3,359,487</u>
 CHANGE IN NET ASSETS	 136,906	 21,023	 157,929
NET ASSETS			
Beginning of the year	<u>417,415</u>	<u>862,500</u>	<u>1,279,915</u>
End of the year	<u>\$ 554,321</u>	<u>\$ 883,523</u>	<u>\$ 1,437,844</u>

**CLIMATE SOLUTIONS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,473,337	\$ 850,579	\$ 2,323,916
Grants	163,350	495,236	658,586
Special event registration	81,055	-	81,055
Interest and dividends	8,854	-	8,854
	<u>1,726,596</u>	<u>1,345,815</u>	<u>3,072,411</u>
Net asset releases:			
Satisfaction of program restrictions	835,205	(835,205)	-
Expiration of time restrictions	100,000	(100,000)	-
Total net asset releases	<u>935,205</u>	<u>(935,205)</u>	<u>-</u>
 Total support and revenue	 <u>2,661,801</u>	 <u>410,610</u>	 <u>3,072,411</u>
EXPENSES			
Program services	2,240,103	-	2,240,103
Management and general	296,774	-	296,774
Fundraising and development	479,927	-	479,927
Total expenses	<u>3,016,804</u>	<u>-</u>	<u>3,016,804</u>
 CHANGE IN NET ASSETS	 (355,003)	 410,610	 55,607
NET ASSETS			
Beginning of the year	<u>772,418</u>	<u>451,890</u>	<u>1,224,308</u>
End of the year	<u>\$ 417,415</u>	<u>\$ 862,500</u>	<u>\$ 1,279,915</u>

CLIMATE SOLUTIONS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services								Support Services			Total
	100% Clean WA	100% Clean OR	Lobbying	Comm	Clean Energy Trans	Fossil Fuels	Clean Transport Coalition	The Wave	Total Program	Management and General	Fundraising and Development	
Salaries and wages	\$ 492,412	\$ 298,064	\$ 137,458	\$ 119,738	\$ -	\$ 7,923	\$ -	\$ -	\$ 1,055,595	\$ 241,303	\$ 284,813	\$ 1,581,711
Taxes and benefits	131,652	82,968	6,033	30,068	-	1,770	-	-	252,491	59,442	69,086	381,019
Total personnel expenses	624,064	381,032	143,491	149,806	-	9,693	-	-	1,308,086	300,745	353,899	1,962,730
Contract labor and services	30,135	104,884	111,643	43,084	51,351	104	28,875	75,675	445,751	28,117	2,538	476,406
Payments to affiliates	-	-	-	-	62,941	-	330,000	-	392,941	-	-	392,941
Occupancy	65,366	28,914	2,563	18,310	-	1,061	-	-	116,214	17,056	26,773	160,043
Fundraising event supplies	-	-	-	11	-	-	-	-	11	-	87,255	87,266
Communications	25,497	13,318	15,304	5,312	-	222	-	26	59,679	9,026	9,541	78,246
Technology	13,195	14,142	213	5,742	-	295	-	-	33,587	7,726	11,734	53,047
Travel	10,854	8,773	13,971	3,817	-	155	-	270	37,840	4,629	2,383	44,852
Program and staff support	16,747	10,871	1,057	3,704	-	128	2,241	-	34,748	3,314	6,311	44,373
Other	163	130	-	33	-	-	-	-	326	11,728	14,575	26,629
Depreciation	-	-	-	-	-	-	-	-	-	9,596	-	9,596
Personnel	1,342	810	-	327	-	19	-	-	2,498	5,930	569	8,997
Program event supplies	1,129	392	500	-	-	-	-	-	2,021	-	4,510	6,531
Insurance	1,093	676	-	292	-	17	-	-	2,078	2,804	501	5,383
Advertising and promotion	-	-	150	1,217	-	-	-	-	1,367	-	-	1,367
Government fees	-	37	-	3	-	-	-	-	40	1,040	-	1,080
	<u>\$ 789,585</u>	<u>\$ 563,979</u>	<u>\$ 288,892</u>	<u>\$ 231,658</u>	<u>\$ 114,292</u>	<u>\$ 11,694</u>	<u>\$ 361,116</u>	<u>\$ 75,971</u>	<u>\$ 2,437,187</u>	<u>\$ 401,711</u>	<u>\$ 520,589</u>	<u>\$ 3,359,487</u>

See accompanying notes to financial statements.

CLIMATE SOLUTIONS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services								Support Services			Total
	100% Clean WA	100% Clean OR	Lobbying	Comm	Clean Energy Trans	Fossil Fuels	Electric Vehicles	Alliance for Jobs	Total Program	Management and General	Fundraising and Development	
Salaries and wages	\$ 368,340	\$ 309,884	\$ 127,154	\$ 99,213	\$ -	\$ 30,714	\$ 50,561	\$ 41,391	\$ 1,027,257	\$ 177,826	\$ 243,603	\$ 1,448,686
Taxes and benefits	105,460	80,643	-	27,037	-	7,766	11,949	5,256	238,111	49,145	63,289	350,545
Total personnel expenses	473,800	390,527	127,154	126,250	-	38,480	62,510	46,647	1,265,368	226,971	306,892	1,799,231
Contract labor and services	94,318	90,115	93,815	72,446	187,002	34,355	1,442	2,225	575,718	15,736	11,516	602,970
Payments to affiliates	-	-	-	-	-	54,332	-	1,528	55,860	-	-	55,860
Occupancy	46,749	28,013	10,546	11,348	-	3,162	6,013	-	105,831	19,271	27,679	152,781
Fundraising event supplies	-	-	-	-	-	-	-	-	-	-	86,302	86,302
Communications	14,860	7,980	7,174	31,741	-	803	1,209	409	64,176	5,178	7,746	77,100
Technology	10,745	9,412	287	14,015	-	882	1,281	1,052	37,674	6,933	8,156	52,763
Travel	13,336	13,434	12,840	2,325	-	976	318	1,256	44,485	4,156	3,504	52,145
Program and staff support	13,315	10,421	2,265	2,565	-	866	660	2,803	32,895	2,544	7,353	42,792
Other	37	57	-	56	580	15	4	10	759	6,402	16,104	23,265
Depreciation	-	-	-	-	-	-	-	-	-	5,753	-	5,753
Personnel	2,464	2,582	263	1,097	-	183	261	58	6,908	756	1,358	9,022
Program event supplies	785	502	499	-	-	-	-	-	1,786	-	3,288	5,074
Insurance	63	-	-	75	1,021	-	112	-	1,271	2,147	-	3,418
Advertising and promotion	-	125	193	6,832	-	-	-	-	7,150	-	-	7,150
Government fees	28	32	-	5	-	6	1	-	72	927	29	1,028
Grants and contributions	10,000	-	30,150	-	-	-	-	-	40,150	-	-	40,150
	<u>\$ 680,500</u>	<u>\$ 553,200</u>	<u>\$ 285,186</u>	<u>\$ 268,755</u>	<u>\$ 188,603</u>	<u>\$ 134,060</u>	<u>\$ 73,811</u>	<u>\$ 55,988</u>	<u>\$ 2,240,103</u>	<u>\$ 296,774</u>	<u>\$ 479,927</u>	<u>\$ 3,016,804</u>

See accompanying notes to financial statements.

CLIMATE SOLUTIONS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 2,382,289	\$ 2,514,043
Cash received from grants	1,043,787	635,397
Cash received from interest and other	9,434	7,864
Cash paid to employees and suppliers	(3,329,681)	(3,132,484)
	105,829	24,820
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(12,120)	(18,783)
Purchase of certificates of deposit	(1,328)	-
	(13,448)	(18,783)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 92,381	 6,037
CASH AND CASH EQUIVALENTS		
Beginning of the year	1,098,224	1,092,187
End of the year	\$ 1,190,605	\$ 1,098,224

CLIMATE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – Climate Solutions (the Organization) is a not-for-profit corporation whose purpose is to accelerate solutions to the climate crisis. The Organization has offices located in Olympia and Seattle, Washington and Portland, Oregon.

Basis of Accounting and Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no perpetually restricted net assets at December 31, 2019 and 2018.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all checking and savings accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. The Organization maintains certain cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Certificate of Deposit – The Organization carries investments with readily determinable fair values at their fair values in the statements of financial position. The certificate of deposit is carried at cost plus accrued interest. Investment return is included in in the accompanying statements of activities.

Fair Value Measurements – Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards establish a hierarchy for measuring fair value that gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 Inputs that are not observable that reflect management’s assumptions and estimates.

CLIMATE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued) – Fair value measurements apply to the Organization’s certificate of deposit, which is classified within level 1 of the fair value hierarchy.

Accounts Receivable – Accounts receivable consist primarily of amounts due from businesses and governmental agencies for program service fee work performed. No allowance for uncollectible balances has been established by management based upon the Organization’s historical experience in the collection of balances due.

Contributions and Grants Receivable – Contributions and grants receivable are unconditional promises to give and are recognized as revenues and assets in the period received. No allowance for uncollectible contributions and grants receivable has been established by management based upon the Organization’s historical experience in the collection of balances due. The present value of the estimated future payments is calculated using a discount rate of 2%, resulting in a discount of \$3,979 at December 31, 2019 and 2018. Long-term contributions and grants receivable will be collected in the year ending December 31, 2021.

Pass Through Grants – The Organization receives certain grants from foundations in which the Organization acts as an agent for the foundation to pass the funds through to a specified beneficiary. The Organization is not granted variance power in these situations and cannot redirect the grants to other organizations. As a result, these transactions create a pass through relationship. In these pass through transactions, the funds received from the grantor designated for another organization are recorded as a liability. The liability is reduced when the distribution is made to the specified beneficiary. All pass through funds were distributed as required at year end. Thus, there was no remaining balance in the pass through grant liability account at December 31, 2019 and 2018.

Property and Equipment – Property and equipment is carried at cost if purchased, or at fair value if donated. Depreciation is computed using the straight-line method over a period of three to five years. The Organization follows a policy whereby it capitalizes purchases of property and equipment with a cost, or fair value if donated, in excess of \$500. When an asset is disposed of, the cost and related accumulated depreciation of the asset are removed from the accounting records, and gain or loss is recognized.

Revenue Recognition – Contributions and grants are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of donor or grantor restrictions. When a restriction expires, that is when a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

CLIMATE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Expense Allocation – The statements of functional expenses present expenses by function and natural classification. Functional expenses are all allocated based on the percentage of time each staff person is assigned to any program, including development and administration. This allocation is set up during the budgeting process with a draft allocations completed by the Executive Director and reviewed by the Senior Management Team. The allocation is then reviewed at different points during the year or when new positions are created.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

New Accounting Pronouncements – The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates (ASUs) that will affect the Organization’s revenue recognition.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09, and all subsequently-issued clarifying ASUs, replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP). ASU 2014-09 also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASU 2014-09 effective January 1, 2019, using the modified retrospective approach. There was no cumulative effect from the initial application recognized as an adjustment to opening net assets as a result of the adoption, and the adoption did not have a significant impact on the financial statements for the year ended December 31, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance in evaluating whether transactions should be accounted for as nonexchange or exchange transactions. In addition, ASU 2018-08 provides guidance for the identification and recognition of conditional nonexchange transactions. The Organization adopted ASU 2018-08 effective January 1, 2019, using the modified prospective approach. The adoption did not have a significant impact on the financial statements for the year ended December 31, 2019.

CLIMATE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash and certificates of deposit (CD)	\$ 1,345,057	\$ 1,251,348
Accounts receivable	24,387	23,189
Contributions and grants receivable	<u>254,271</u>	<u>173,563</u>
Total financial assets	1,623,715	1,448,100
Less those unavailable for general expenditures within one year:		
Long term contributions and grants receivable	(97,021)	(2,000)
Restricted by donors with purpose restrictions	<u>-</u>	<u>(50,200)</u>
Financial assets available within one year	<u><u>\$ 1,526,694</u></u>	<u><u>\$ 1,395,900</u></u>

With the expected receipt timing of donations, the Organization’s financial assets fluctuate during the year with a predicted low point in early fall. Typically, the Organization’s cash accounts have adequate resources to cover cashflow throughout the year. In the event of a liquidity need, the Executive Director can authorize a transfer from the reserve accounts for up to 10% of the reserve balance to cover cash flow needs. The Board needs to approve any transfer out of the reserve accounts over 10%. The reserves are kept in a combination of accounts, some with easier access and others with more limited access (such as certificate of deposit).

Note 3 – Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 89,521	\$ 78,400
Less accumulated depreciation	<u>(64,199)</u>	<u>(55,602)</u>
	<u><u>\$ 25,322</u></u>	<u><u>\$ 22,798</u></u>

CLIMATE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 4 – Net Assets With Donor Restrictions

Net assets with donor restrictions are composed of the following restrictions at December 31:

	2019	2018
Restricted for a specified purpose or passage of time:		
100% Clean	\$ 277,385	\$ 495,000
For use in subsequent years	248,138	100,000
Clean Transportation Coalition	223,000	-
The Wave	122,500	-
Electric vehicles	12,500	12,500
Clean Energy Transition	-	199,800
Development	-	50,000
West Coast Climate Campaign	-	5,000
Administration	-	200
	\$ 883,523	\$ 862,500

Note 5 – Retirement Plan

The Organization provides a defined contribution retirement plan (the Plan) qualified under Section 401(k) of the Internal Revenue Code for all eligible employees. The Organization contributes 5% of each eligible employee’s base salary, regardless of an employee contribution. The Organization contributed \$73,863 and \$67,876 to the Plan during the years ended December 31, 2019 and 2018, respectively.

Note 6 – Commitments

The Organization has noncancelable operating leases for the rental of each of its Seattle and Portland office spaces. The leases expire between January 2021 and April 2025. Total expense under these leases was \$162,357 and \$148,785 for the years ended December 31, 2019 and 2018, respectively. The following is a schedule by years of future minimum rentals under these leases for the years ending December 31:

2020	\$ 165,234
2021	156,399
2022	158,928
2023	162,624
2024	166,320
Thereafter	56,672
	\$ 866,177

CLIMATE SOLUTIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 7 – Concentrations

At December 31, 2019, 71% of contributions and grants receivable was due from one donor. At December 31, 2018, 86% of contributions and grants receivable was due from two donors.

For the year ended December 31, 2019, one donor contributed 27% of total support and revenue.

Note 8 – Subsequent Events

Subsequent events were evaluated through October 1, 2020, which is the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak to be a global pandemic. The extent of the impact of COVID-19 on the Organization's operations will depend on certain developments, including the duration and spread of the outbreak and the impact to donors and employees, all of which are uncertain and cannot be determined.

As a result of the COVID-19 pandemic, the Organization has adjusted all in-person special events scheduled through the date the financial statements were available to be issued to be virtual. To help cover the shortfall, the Organization received a \$364,747 Payroll Protection Program loan through the Small Business Administration as part of the CARES Act. The Organization expects to meet qualifications to have the full loan amount forgiven. The Organization will use its reserve accounts if needed.