

FINANCIAL STATEMENTS



THE ALLIANCE FOR CLIMATE PROTECTION DBA THE CLIMATE REALITY PROJECT

**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT**

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Alliance for Climate Protection DBA The Climate Reality Project
Washington, D.C.

Opinion

We have audited the accompanying financial statements of The Alliance for Climate Protection DBA The Climate Reality Project (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards will always detect a material misstatement when it exists.

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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, including omissions, 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.

In performing an audit in accordance with generally accepted auditing standards, 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 the Organization'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 the Organization'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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

June 29, 2022

**THE ALLIANCE FOR CLIMATE PROTECTION
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**STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020**

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 23,762,439	\$ 15,397,526
Accounts receivable	2,848	31,816
Contributions receivable	555,891	262,875
Due from related party	29,128	302,751
Prepaid expenses	<u>347,691</u>	<u>255,961</u>
Total current assets	<u>24,697,997</u>	<u>16,250,929</u>
FIXED ASSETS		
Equipment	114,575	114,575
Furniture	427,377	427,377
Computer equipment	283,587	283,587
Leasehold improvements	<u>184,189</u>	<u>184,189</u>
	1,009,728	1,009,728
Less: Accumulated depreciation and amortization	<u>(935,959)</u>	<u>(893,500)</u>
Net fixed assets	<u>73,769</u>	<u>116,228</u>
NONCURRENT ASSETS		
Other assets	227,177	231,334
Right of use asset	<u>754,964</u>	<u>1,179,800</u>
Total noncurrent assets	<u>982,141</u>	<u>1,411,134</u>
TOTAL ASSETS	<u>\$ 25,753,907</u>	<u>\$ 17,778,291</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 421,417	\$ 124,120
Accrued salaries and related benefits	558,055	543,904
Operating lease liability	<u>499,477</u>	<u>460,040</u>
Total current liabilities	1,478,949	1,128,064
NONCURRENT LIABILITIES		
Operating lease liability, net of current portion	<u>448,963</u>	<u>948,439</u>
Total liabilities	<u>1,927,912</u>	<u>2,076,503</u>
NET ASSETS		
Without donor restrictions	23,551,640	15,241,767
With donor restrictions	<u>274,355</u>	<u>460,021</u>
Total net assets	<u>23,825,995</u>	<u>15,701,788</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,753,907</u>	<u>\$ 17,778,291</u>

See accompanying notes to financial statements.

**THE ALLIANCE FOR CLIMATE PROTECTION
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**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 24,917,953	\$ 875,172	\$ 25,793,125
Events	442,098	-	442,098
Interest income	4,675	-	4,675
Other revenue	38,656	-	38,656
Net assets released from donor restrictions	<u>1,060,838</u>	<u>(1,060,838)</u>	<u>-</u>
Total support and revenue	<u>26,464,220</u>	<u>(185,666)</u>	<u>26,278,554</u>
EXPENSES			
Program Services:			
Reality Programs	2,265,423	-	2,265,423
Climate Leadership Corps	6,421,391	-	6,421,391
International Branches	2,363,333	-	2,363,333
Digital Communications	3,747,304	-	3,747,304
Strategic Partnerships	932,278	-	932,278
Climate Speakers Network	416,927	-	416,927
Diversity and Justice	<u>177,726</u>	<u>-</u>	<u>177,726</u>
Total program services	<u>16,324,382</u>	<u>-</u>	<u>16,324,382</u>
Supporting Services:			
Development	705,567	-	705,567
General and Administrative	<u>1,124,398</u>	<u>-</u>	<u>1,124,398</u>
Total supporting services	<u>1,829,965</u>	<u>-</u>	<u>1,829,965</u>
Total expenses	<u>18,154,347</u>	<u>-</u>	<u>18,154,347</u>
Changes in net assets	8,309,873	(185,666)	8,124,207
Net assets at beginning of year	<u>15,241,767</u>	<u>460,021</u>	<u>15,701,788</u>
NET ASSETS AT END OF YEAR	<u>\$ 23,551,640</u>	<u>\$ 274,355</u>	<u>\$ 23,825,995</u>

**THE ALLIANCE FOR CLIMATE PROTECTION
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**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 17,661,366	\$ 3,748,575	\$ 21,409,941
Events	66,000	-	66,000
Interest income	52,704	-	52,704
Other revenue	51,338	-	51,338
Net assets released from donor restrictions	<u>9,907,831</u>	<u>(9,907,831)</u>	<u>-</u>
Total support and revenue	<u>27,739,239</u>	<u>(6,159,256)</u>	<u>21,579,983</u>
EXPENSES			
Program Services:			
Reality Programs	5,772,208	-	5,772,208
Climate Leadership Corps	5,295,249	-	5,295,249
International Branches	1,904,993	-	1,904,993
Digital Communications	2,095,724	-	2,095,724
Strategic Partnerships	860,788	-	860,788
Climate Speakers Network	<u>363,672</u>	<u>-</u>	<u>363,672</u>
Total program services	<u>16,292,634</u>	<u>-</u>	<u>16,292,634</u>
Supporting Services:			
Development	1,035,682	-	1,035,682
General and Administrative	<u>1,272,008</u>	<u>-</u>	<u>1,272,008</u>
Total supporting services	<u>2,307,690</u>	<u>-</u>	<u>2,307,690</u>
Total expenses	<u>18,600,324</u>	<u>-</u>	<u>18,600,324</u>
Changes in net assets	9,138,915	(6,159,256)	2,979,659
Net assets at beginning of year	<u>6,102,852</u>	<u>6,619,277</u>	<u>12,722,129</u>
NET ASSETS AT END OF YEAR	<u>\$ 15,241,767</u>	<u>\$ 460,021</u>	<u>\$ 15,701,788</u>

**THE ALLIANCE FOR CLIMATE PROTECTION
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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services				
	Reality Programs	Climate Leadership Corps	International Branches	Digital Communications	Strategic Partnerships
Salaries	\$ 1,131,694	\$ 2,608,596	\$ 350,222	\$ 1,148,205	\$ 531,764
Payroll taxes	84,028	194,257	26,187	84,687	39,931
Other employee benefits	122,889	285,645	38,202	123,856	58,478
Professional services	59,193	151,935	46,123	59,336	27,480
Consultants	146,300	57,161	-	681,888	-
Media production, design and transmission	1,050	1,500	-	26,333	-
Audio, visual, website	-	69,142	-	127,854	-
Rent and occupancy	65,161	150,199	20,165	66,112	30,618
Office expenses and maintenance	2,237	35,617	740	2,360	1,051
Equipment and computers	27,778	76,711	7,689	222,630	11,649
Sponsorship	-	25,000	-	-	199,750
Telephones and mobile phones	23,350	56,659	8,761	22,471	10,459
Postage and printing	1,289	5,165	633	1,308	606
Publications and subscriptions	9,901	18,894	528	49,574	3,629
Rights and licenses	36	151,479	-	15	-
Depreciation and amortization	5,445	12,550	1,685	5,524	2,558
Travel	95,036	2,344	24,652	850	4,186
Meetings and workshops	466,915	2,402,176	9,476	40,468	3,099
Grants to international partners	-	-	1,822,033	-	-
Insurance	13,539	31,209	4,190	13,737	6,362
Bank and interest charges	5	21	32	-	9
Advertising	4,427	80,422	164	1,068,003	46
Miscellaneous	4,014	1,629	1,500	941	69
Sustainability and offsets	1,136	3,080	351	1,152	534
TOTAL	\$ 2,265,423	\$ 6,421,391	\$ 2,363,333	\$ 3,747,304	\$ 932,278

See accompanying notes to financial statements.

THE ALLIANCE FOR CLIMATE PROTECTION
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services (Continued)			Supporting Services			Total Expenses
	Climate Speakers Network	Diversity and Justice	Total Program Services	Development	General and Administrative	Total Supporting Services	
Salaries	\$ 287,752	\$ 131,877	\$ 6,190,110	\$ 386,839	\$ 457,109	\$ 843,948	\$ 7,034,058
Payroll taxes	21,454	9,338	459,882	28,830	31,107	59,937	519,819
Other employee benefits	31,427	14,085	674,582	42,235	44,749	86,984	761,566
Professional services	14,870	6,815	365,752	19,991	116,286	136,277	502,029
Consultants	-	-	885,349	79,698	126,604	206,302	1,091,651
Media production, design and transmission	-	-	28,883	12,500	1,060	13,560	42,443
Audio, visual, website	-	-	196,996	-	4,800	4,800	201,796
Rent and occupancy	16,568	7,593	356,416	22,274	129,566	151,840	508,256
Office expenses and maintenance	569	372	42,946	1,264	4,448	5,712	48,658
Equipment and computers	6,304	2,889	355,650	22,521	49,297	71,818	427,468
Sponsorship	-	-	224,750	-	-	-	224,750
Telephones and mobile phones	5,993	2,080	129,773	8,697	27,083	35,780	165,553
Postage and printing	328	150	9,479	7,849	2,564	10,413	19,892
Publications and subscriptions	399	183	83,108	1,447	3,118	4,565	87,673
Rights and licenses	-	-	151,530	-	1,859	1,859	153,389
Depreciation and amortization	1,384	634	29,780	1,861	10,818	12,679	42,459
Travel	2,297	-	129,365	117	35,901	36,018	165,383
Meetings and workshops	20,000	-	2,942,134	22,922	12,904	35,826	2,977,960
Grants to international partners	-	-	1,822,033	-	-	-	1,822,033
Insurance	3,443	1,578	74,058	4,628	26,921	31,549	105,607
Bank and interest charges	-	-	67	36,163	12,857	49,020	49,087
Advertising	-	-	1,153,062	5,136	1,305	6,441	1,159,503
Miscellaneous	2,225	-	10,378	207	21,787	21,994	32,372
Sustainability and offsets	1,914	132	8,299	388	2,255	2,643	10,942
TOTAL	\$ 416,927	\$ 177,726	\$16,324,382	\$ 705,567	\$ 1,124,398	\$1,829,965	\$18,154,347

See accompanying notes to financial statements.

**THE ALLIANCE FOR CLIMATE PROTECTION
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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services				
	Reality Programs	Climate Leadership Corps	International Branches	Digital Communications	Strategic Partnerships
Salaries	\$ 1,195,660	\$ 2,614,682	\$ 334,926	\$ 987,183	\$ 483,585
Payroll taxes	84,074	187,978	23,950	70,901	33,846
Other employee benefits	140,039	298,848	39,443	106,265	56,101
Professional services	229,550	201,751	18,137	47,256	21,924
Consultants	2,338,174	4,451	-	353,363	-
Media production, design and transmission	-	2,931	-	5,000	-
Audio, visual, website	2,100	59,990	-	47,699	-
Rent and occupancy	65,381	142,977	18,314	53,981	26,444
Office expenses and maintenance	2,186	59,059	612	1,855	1,360
Equipment and computers	19,639	48,104	5,377	188,036	7,764
Sponsorship	610,034	-	-	-	188,000
Telephones and mobile phones	21,025	55,367	13,381	15,732	9,060
Postage and printing	1,693	3,650	372	1,098	839
Publications and subscriptions	2,670	5,914	949	59,444	8,916
Rights and licenses	57,782	85,898	-	285	-
Depreciation and amortization	6,345	13,875	1,777	5,239	2,566
Travel	12,614	59,712	599	4,424	125
Meetings and workshops	945,569	1,233,278	1,894	1,345	150
Grants to international partners	-	6,048	1,438,647	-	12,911
Insurance	13,443	38,237	3,766	11,099	5,437
Bank and interest charges	5	31	415	-	-
Advertising	19,199	154,215	898	131,927	-
Miscellaneous	675	1,654	317	-	-
Sustainability and offsets	4,351	16,599	1,219	3,592	1,760
TOTAL	\$ 5,772,208	\$ 5,295,249	\$ 1,904,993	\$ 2,095,724	\$ 860,788

See accompanying notes to financial statements.

THE ALLIANCE FOR CLIMATE PROTECTION
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services (Continued)		Supporting Services			Total Expenses
	Climate Speakers Network	Total Program Services	Development	General and Administrative	Total Supporting Services	
Salaries	\$ 265,312	\$ 5,881,348	\$ 396,337	\$ 623,797	\$1,020,134	\$ 6,901,482
Payroll taxes	18,937	419,686	28,859	39,184	68,043	487,729
Other employee benefits	31,796	672,492	45,992	65,753	111,745	784,237
Professional services	12,028	530,646	17,969	122,349	140,318	670,964
Consultants	-	2,695,988	409,746	46,264	456,010	3,151,998
Media production, design and transmission	-	7,931	-	-	-	7,931
Audio, visual, website	-	109,789	-	6,755	6,755	116,544
Rent and occupancy	14,508	321,605	21,673	147,570	169,243	490,848
Office expenses and maintenance	510	65,582	807	4,934	5,741	71,323
Equipment and computers	4,259	273,179	30,187	43,325	73,512	346,691
Sponsorship	-	798,034	-	6,000	6,000	804,034
Telephones and mobile phones	4,601	119,166	7,896	23,804	31,700	150,866
Postage and printing	295	7,947	6,998	3,000	9,998	17,945
Publications and subscriptions	592	78,485	3,222	6,026	9,248	87,733
Rights and licenses	-	143,965	-	-	-	143,965
Depreciation and amortization	1,408	31,210	2,103	14,323	16,426	47,636
Travel	-	77,474	3,965	8,066	12,031	89,505
Meetings and workshops	3,600	2,185,836	-	2,056	2,056	2,187,892
Grants to international partners	-	1,457,606	-	-	-	1,457,606
Insurance	2,983	74,965	4,456	30,342	34,798	109,763
Bank and interest charges	-	451	-	43,297	43,297	43,748
Advertising	-	306,239	53,655	71	53,726	359,965
Miscellaneous	478	3,124	375	25,272	25,647	28,771
Sustainability and offsets	2,365	29,886	1,442	9,820	11,262	41,148
TOTAL	\$ 363,672	\$16,292,634	\$ 1,035,682	\$ 1,272,008	\$2,307,690	\$18,600,324

See accompanying notes to financial statements.

**THE ALLIANCE FOR CLIMATE PROTECTION
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**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 8,124,207	\$ 2,979,659
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,459	47,636
Receipt of contributed securities	(7,176,659)	(7,605,218)
Proceeds from the sale of donated securities	6,925,831	7,657,246
Realized loss (gain) on sale of donated securities	250,828	(52,028)
Change in discount on long-term contributions receivable	-	(143,157)
Change in the measurement of operating lease	(35,203)	(22,373)
Decrease (increase) in:		
Accounts receivable	28,968	(31,816)
Contributions receivable	(293,016)	5,267,022
Due from related party	273,623	(256,424)
Prepaid expenses	(91,730)	154,167
Other assets	4,157	(129,531)
Increase (decrease) in:		
Accounts payable and accrued liabilities	297,297	(234,804)
Accrued salaries and related benefits	<u>14,151</u>	<u>64,879</u>
Net cash provided by operating activities	<u>8,364,913</u>	<u>7,695,258</u>
Net increase in cash and cash equivalents	8,364,913	7,695,258
Cash and cash equivalents at beginning of year	<u>15,397,526</u>	<u>7,702,268</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 23,762,439</u>	<u>\$ 15,397,526</u>

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Alliance for Climate Protection DBA The Climate Reality Project (the Organization) is a not-for-profit organization that was formed in the District of Columbia. It was originally headquartered in Menlo Park, California, and relocated to Washington, D.C. in 2009. As an entity, it was originally incorporated in 2005 as the "Climate Project" which conducted charitable activities. On April 13, 2007, the entity received approval for a name change to "The Alliance for Climate Protection" (ACP).

To maximize the climate awareness and activism created by his Academy Award-winning film, *An Inconvenient Truth*, former US Vice President Al Gore founded The Alliance for Climate Protection (ACP) as a mass communications project to build support and lay political groundwork to address climate change. At the same time, he founded The Climate Project (TCP) as an educational grassroots organization training volunteers to give the presentation featured in the film. ACP and TCP merged in 2010, and began operating under the trade name "The Climate Reality Project" in 2011.

Led by Al Gore, the original, consummate trusted messenger on climate, the Organization is catalyzing a global solution to the climate crisis by making urgent action a necessity across every level of society. With a global network of advocates, successful local activist chapters, and a demonstrated ability to connect with high-ranking influencers, all supported by dynamic communications initiatives, the Organization is building the social and political will to solve this urgent crisis.

Description of program and supporting services:

The following program and supporting services are included in the accompanying financial statements:

Reality Programs: Each year, the Organization produces and participates in a number of programs to inform and inspire action to avert the climate crisis. In 2021, the Organization hosted 24 Hours of Reality, which brought together people from around the world to pressure global leaders in the lead up to COP26 as a day of action. With the COVID-19 pandemic forcing them to reimagine this event in a digital space, they moved this event online in 2020 and are continuing to adapt it to fit in a virtual world. In addition, the organization supported their third annual Climate Underground Farm Conference in December 2021 virtually from Carthage, TN.

Climate Leadership Corps: The Climate Reality Leadership Corps unites global citizens from all walks of life who share a common passion for the climate. Leaders begin with a multi-day training on climate science, communication, and activism led by former US Vice President Al Gore. After completing the training, Climate Reality Leaders return to their communities to engage their peers using a wide array of advocacy tools and activities.

In 2021, due to the ongoing COVID-19 pandemic, the Organization continued to offer these trainings virtually. This allowed the Organization to open up these events to a much wider, global audience. After 15 years and 48 trainings, 42,376 trained Climate Reality Leaders are mobilizing communities for climate solutions, shaping public opinion and driving change in countries around the world. In 2021, the Organization trained 11,002 new Climate Leaders in over the course of three virtual trainings: one global, one focused on the United States, and one focused on Latin America.

**THE ALLIANCE FOR CLIMATE PROTECTION
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Organization (continued) -

Climate Leadership Corps (continued): Climate Reality Leaders completed 134,705 climate actions in 2021 and engaged in numerous campaigns around the world. In the US, chapters are the Organization's most vibrant platforms for collective action, engaging Climate Reality Leaders alongside members of the public from their local area in self-determined campaigns. With this chapter program, the Organization provides the resources, network, and infrastructure to support local groups of activists pursue common goals together. Established in late 2017, the program has grown rapidly, with 127 chapters in 39 states powered by more than 18,000 members.

International Branches: The Organization's 10 international branches are helping actors in their countries build, implement, and stay accountable to various climate commitments they have made, many of which contribute to national commitments to the historic Paris Agreement in 2015. Branch offices are mobilizing Climate Reality Leaders and engaging elite stakeholders, educating, and building strong public awareness and popular support for climate action in countries and regions that shape public opinion. Branch offices are located in Africa, Australia & the Pacific, Brazil, Canada, Europe, India & South Asia, Indonesia, Japan, Latin America, and the Philippines. Together, these branch offices work cooperatively on regional or global campaigns and international policy under the UN framework. The Climate Reality Project also maintains a media partnership with Phoenix New Media in China, providing a platform for education and stakeholder engagement in China, particularly for the business sector.

Digital Communications: The Organization creates and shares informative, accessible, and engaging content through a range of media channels to raise awareness of the climate crisis, help people understand what it means for their own lives, and inspire them to participate in our campaigns and initiatives. Each month, people around the world access the Organization's blogs, social media, videos, e-books, and fact sheets to learn the basics of climate science and the latest developments in climate policy and solutions. In addition, the Organization's digital advocacy campaigns harness the power of digital media to raise awareness and inspire audiences to act, driving change online and in the halls of power worldwide.

Strategic Partnerships: The Organization partners with organizations across the climate community and beyond to develop joint outreach and events that enable them to leverage each partner's strengths and expertise and open doors to new audiences to amplify their message and create an even greater impact together. Through the Climate Justice Grants program, the Organization supports grassroots partners fighting for environmental justice and brings frontline leaders and communities of color to the forefront of the climate movement.

Climate Speakers Network: The Organization collaborates with diverse partners including faith-based groups and social justice organizations to design and deliver community specific climate change curriculum and workshops. CSN workshops aim to turn awareness into action and inspire communities to fight for a healthy, equitable and sustainable future, around the world and around the block.

The Organization has also partnered with the World Economic Forum's Global Shapers, members of a worldwide network of over 10,000 young change-makers, on climate communication and activism.

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DBA THE CLIMATE REALITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Organization (continued) -

Climate Speakers Network (continued): The partnership has helped produce a wide range of community-based climate projects, including tackling illegal wood cutting and deforestation in Armenia, a documentary on riverine communities in the Brazilian Amazon, an online tool to help consumers calculate the environmental impacts of their fashion choices and behaviors, and a tool to assist in hosting sustainable events and calculating carbon emissions.

Diversity and Justice: This new program was developed to build internal and external policies and practices that elevate diversity, equity, inclusion, and justice. This work is done collaboratively across teams and with outside partner organizations that focus on frontline communities (the poor, communities of color and communities that reside next to extractive industry) who are most impacted by pollution and environmental racism. Externally the work is intersectional – and involves working with organizations who focus on these intersections, e.g. environmental justice and health. The program is also making climate educational content accessible to people who are differently abled and those who are not English-language proficient. The program has led workshops on how white supremacy shows up at the office and is developing bespoke workshops for each international branch that not only elevates equity but also builds climate justice from their perspective.

Development: Development, through its fundraising efforts, provides the structure necessary to encourage and secure financial support from individuals, foundations, and business entities.

General and Administrative: General and administrative includes the functions necessary to maintain an adequate working environment, provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; maintain competent supporting services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments acquired by gift are recorded at their fair value at the date of the gift. The Organization's policy is to liquidate all gifts of investments as soon as possible after the gift.

Receivables -

Receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$2,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the years ended December 31, 2021 and 2020 totaled \$42,459 and \$47,636, respectively.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2021 and 2020, the Organization has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Grants and contributions -

The majority of the Organization's activities are supported by grants and contributions from individuals and private entities. These awards are for various activities performed by the Organization. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants and contributions qualifying as conditional contributions contain a right of return from obligation provision that limits the Organization on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. The Organization recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. The Organization had no unrecognized conditional awards as of December 31, 2021.

Events -

Events revenue is classified as an exchange transaction which follows ASU 2014-09, *Revenue from Contracts With Customers*, and is recorded as revenue at a point in time when the performance obligations are met which is when the related event has occurred. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is determined based on cost and/or sales price. Revenue received in advance of the events are recorded as deferred revenue in the accompanying Statements of Financial Position.

In-kind contributions -

In-kind contributions consist of broadcast services, food service and supplies. In-kind contributions are recorded at their fair value as of the date of the gift. In-kind contributions during the years ended December 31, 2021 and 2020 totaled \$256,297 and \$0, respectively, and are included in contributions revenue in the accompanying Statements of Activities and Change in Net Assets.

In addition, volunteers have donated significant amounts of their time to the Organization; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising -

The Organization expenses advertising costs as incurred. Advertising expense was \$1,159,503 and \$359,965 for the years ended December 31, 2021 and 2020, respectively.

Grants and scholarships -

The Organization has partnered with several other not-for-profit organizations to help further the message of climate protection. Grants awarded to these organizations are recorded as expenses at the time the grants are awarded. Scholarships are awarded to aid worthy attendees of the Climate Reality Leadership Trainings.

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 Change in Net Assets. 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.

New accounting pronouncements (not yet adopted) -

FASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

The Organization plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

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2. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021 and 2020:

	2021	2020
Subject to Expenditure for Specified Purpose	<u>\$ 274,355</u>	<u>\$ 460,021</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2021	2020
Purpose restrictions accomplished	\$ 1,060,838	\$ 5,050,988
Timing restrictions accomplished	<u>-</u>	<u>4,856,843</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,060,838</u>	<u>\$ 9,907,831</u>

3. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	2021	2020
Cash and cash equivalents	\$ 23,762,439	\$ 15,397,526
Accounts receivable	2,848	31,816
Contributions receivable	555,891	262,875
Due from related party	<u>29,128</u>	<u>302,751</u>
Subtotal financial assets available	24,350,306	15,994,968
Less: Donor restricted funds	<u>(274,355)</u>	<u>(460,021)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 24,075,951</u>	<u>\$ 15,534,947</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due.

4. LEASE COMMITMENTS

On October 16, 2018, the Organization entered into an agreement to lease office space beginning February 1, 2019 and expiring October 31, 2023. Base rent is \$41,810 per month, plus a proportionate share of expenses, increasing by a factor of 2.5% per year. The lease includes four months of abated rent in the the first year of the lease. Additionally, the landlord provided a \$93,780 tenant leasehold improvement allowance.

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4. LEASE COMMITMENTS (Continued)

In February 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update* (ASU) 2016-14 related to *Leases* (Topic 842), in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statements of Financial Position and disclosing key information about leasing arrangements for operating leases that are greater than one year in duration. The ASU specifically requires an organization to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the Statements of Financial Position and recognize a single lease cost, calculated so the cost of the lease is allocated over the lease term on a generally straight line basis. The guidance in the ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2021 and early adoption is permitted. The Organization elected to early implement the ASU. The Organization elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes.

As a result, the Organization recorded a right-of-use asset in the amount of \$1,939,317 net of the landlord allowance of \$93,780. The Organization recorded an operating lease liability in the amount of \$2,033,097 by calculating the present value using the discount rate of 5.5%.

As of December 31, 2021 and 2020, the unamortized right-of-use asset was \$754,964 and \$1,179,800, respectively. The unamortized operating lease liability was \$948,440 and \$1,408,479, respectively, as of December 31, 2021 and 2020. The lease cost, including imputed interest and amortization of the right-of-use asset for the years ended December 31, 2021 and 2020, was \$508,256 and \$490,848, respectively, and is included in rent and occupancy expense in the accompanying Statements of Functional Expenses.

The future minimum lease payments (shown below) reflect the rental payments through the termination date of the new lease.

Year Ending December 31,

2022	\$ 539,203
2023	<u>460,381</u>
	<u>\$ 999,584</u>

5. RETIREMENT PLAN

The Organization sponsors a defined contribution 401(k) profit sharing plan that covers all employees. Participants may elect to defer a portion of their salary and contribute it to the retirement trust. Additionally, the Organization matches up to 6% of the employee's eligible earnings. Contributions to the Plan during the years ended December 31, 2021 and 2020 totaled \$308,495 and \$280,576, respectively, and are included in other employee benefits in the accompanying Statements of Functional Expenses.

6. RELATED PARTY

The Organization is affiliated with the Climate Reality Action Fund (the Action Fund). The Action Fund is a non-profit organization, incorporated in the District of Columbia, and its works make climate action the top priority in American politics. One officer of the Organization is also an officer of the Action Fund.

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6. RELATED PARTY (Continued)

The Organization has a resource sharing and expense reimbursement agreement with the Action Fund. The Organization provides certain management and administrative services including common facilities, personnel, and operating activities. The Action Fund agrees to bear and pay its allocable share of the costs incurred by the Organization.

As of December 31, 2021 and 2020, the Action Fund owed the Organization \$29,128 and \$302,751, respectively.

7. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 29, 2022, the date the financial statements were issued.