

**CLIMATE SOLUTIONS**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2021 AND 2020**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Climate Solutions  
Seattle, Washington

### **Opinion**

We have audited the accompanying financial statements of Climate Solutions (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities 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 Climate Solutions 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 Climate Solutions and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Climate Solutions' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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### **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. 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 Climate Solutions' 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 Climate Solutions' 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.



Jones & Associates PLLC, CPAs  
September 16, 2022

**CLIMATE SOLUTIONS**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,946,832	\$ 1,885,962
Certificate of deposit	156,804	156,413
Contributions and grants receivable, current	272,267	331,271
Prepaid expenses and other assets	40,579	24,860
Total current assets	3,416,482	2,398,506
Contributions and grants receivable, long-term	290,000	425,000
Property and equipment, net	18,960	18,521
	\$ 3,725,442	\$ 2,842,027
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 97,909	\$ 112,044
Accrued payroll and related	214,489	325,511
Forgivable loan payable	-	364,747
Total current liabilities	312,398	802,302
 <b>NET ASSETS</b>		
Without donor restrictions	2,072,544	810,960
With donor restrictions - purpose and time	1,340,500	1,228,765
	3,413,044	2,039,725
	\$ 3,725,442	\$ 2,842,027

**CLIMATE SOLUTIONS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	Without donor restrictions	With donor restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 3,259,515	\$ 1,644,030	\$ 4,903,545
Grants	441,747	-	441,747
Interest and other	4,366	-	4,366
	<u>3,705,628</u>	<u>1,644,030</u>	<u>5,349,658</u>
Net asset releases:			
Satisfaction of program restrictions	1,407,295	(1,407,295)	-
Expiration of time restrictions	125,000	(125,000)	-
Total net asset releases	<u>1,532,295</u>	<u>(1,532,295)</u>	<u>-</u>
 Total support and revenue	 <u>5,237,923</u>	 <u>111,735</u>	 <u>5,349,658</u>
<b>EXPENSES</b>			
Program services	2,971,359	-	2,971,359
Management and general	521,200	-	521,200
Fundraising and development	483,780	-	483,780
Total expenses	<u>3,976,339</u>	<u>-</u>	<u>3,976,339</u>
 CHANGE IN NET ASSETS	 1,261,584	 111,735	 1,373,319
<b>NET ASSETS</b>			
Beginning of the year	<u>810,960</u>	<u>1,228,765</u>	<u>2,039,725</u>
End of the year	<u>\$ 2,072,544</u>	<u>\$ 1,340,500</u>	<u>\$ 3,413,044</u>

**CLIMATE SOLUTIONS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

	Without donor restrictions	With donor restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 2,555,118	\$ 1,717,080	\$ 4,272,198
Grants	156,000	35,185	191,185
Interest and other	6,086	-	6,086
	<u>2,717,204</u>	<u>1,752,265</u>	<u>4,469,469</u>
Net asset releases:			
Satisfaction of program restrictions	1,158,885	(1,158,885)	-
Expiration of time restrictions	248,138	(248,138)	-
Total net asset releases	<u>1,407,023</u>	<u>(1,407,023)</u>	<u>-</u>
 Total support and revenue	 <u>4,124,227</u>	 <u>345,242</u>	 <u>4,469,469</u>
<b>EXPENSES</b>			
Program services	2,923,126	-	2,923,126
Management and general	444,932	-	444,932
Fundraising and development	499,530	-	499,530
Total expenses	<u>3,867,588</u>	<u>-</u>	<u>3,867,588</u>
 CHANGE IN NET ASSETS	 256,639	 345,242	 601,881
<b>NET ASSETS</b>			
Beginning of the year	<u>554,321</u>	<u>883,523</u>	<u>1,437,844</u>
End of the year	<u>\$ 810,960</u>	<u>\$ 1,228,765</u>	<u>\$ 2,039,725</u>

**CLIMATE SOLUTIONS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	Program Services				Support Services				Total
	100% Clean WA	100% Clean OR	Lobbying	Comm	Electric Vehicles	Total Program	Management and General	Fundraising and Development	
Salaries and wages	\$ 561,142	\$ 338,458	\$ 131,468	\$ 161,485	\$ -	\$ 1,192,553	\$ 287,403	\$ 312,870	\$ 1,792,826
Taxes and benefits	148,627	81,395	28,878	41,542	-	300,442	89,145	84,387	473,974
Total personnel expenses	709,769	419,853	160,346	203,027	-	1,492,995	376,548	397,257	2,266,800
Payments to affiliates	130,000	490,000	-	-	60,000	680,000	-	5,000	685,000
Contract labor and services	154,022	152,720	226,942	26,016	-	559,700	47,613	4,049	611,362
Occupancy	69,531	15,037	-	23,290	-	107,858	36,212	32,052	176,122
Technology	18,603	12,192	-	13,339	-	44,134	15,361	10,260	69,755
Communications	20,816	12,013	8,616	6,308	-	47,753	7,917	9,095	64,765
Program and staff support	11,333	10,907	95	1,037	-	23,372	1,809	3,789	28,970
Other	1,124	30	-	-	-	1,154	2,184	12,710	16,048
Depreciation	-	-	-	-	-	-	13,672	-	13,672
Government fees	68	96	-	25	-	189	10,818	25	11,032
Personnel	1,672	951	-	494	-	3,117	6,694	772	10,583
Fundraising event supplies	-	-	-	-	-	-	-	8,101	8,101
Advertising and promotion	2,168	-	429	4,063	-	6,660	-	-	6,660
Insurance	1,126	711	-	370	-	2,207	968	650	3,825
Travel	915	707	40	58	-	1,720	1,404	20	3,144
Program event supplies	-	500	-	-	-	500	-	-	500
	<u>\$ 1,121,147</u>	<u>\$ 1,115,717</u>	<u>\$ 396,468</u>	<u>\$ 278,027</u>	<u>\$ 60,000</u>	<u>\$ 2,971,359</u>	<u>\$ 521,200</u>	<u>\$ 483,780</u>	<u>\$ 3,976,339</u>

*See accompanying notes to financial statements.*

**CLIMATE SOLUTIONS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	Program Services							Support Services			Total
	100% Clean WA	100% Clean OR	Lobbying	Comm	Electric Vehicles	Clean Transport Coalition	The Wave	Total Program	Management and General	Fundraising and Development	
Salaries and wages	\$ 593,671	\$ 360,584	\$ 108,098	\$ 174,079	\$ -	\$ -	\$ 11,527	\$ 1,247,959	\$ 279,923	\$ 344,000	\$ 1,871,882
Taxes and benefits	134,143	73,565	21,701	38,300	-	-	2,343	270,052	74,894	78,123	423,069
Total personnel expenses	727,814	434,149	129,799	212,379	-	-	13,870	1,518,011	354,817	422,123	2,294,951
Payments to affiliates	53,000	-	-	-	12,500	527,500	-	593,000	-	-	593,000
Contract labor and services	82,291	88,093	160,050	71,647	-	29,655	111,205	542,941	15,109	515	558,565
Occupancy	68,152	30,039	1,450	20,446	-	-	848	120,935	28,277	27,099	176,311
Technology	17,432	10,480	398	5,811	-	-	144	34,265	7,604	5,956	47,825
Communications	22,026	13,094	9,640	3,904	-	-	293	48,957	6,303	9,046	64,306
Program and staff support	11,191	5,497	13	2,694	-	-	60	19,455	1,261	3,229	23,945
Other	1,053	924	-	644	-	-	25,000	27,621	1,789	13,933	43,343
Depreciation	-	-	-	-	-	-	-	-	17,375	-	17,375
Government fees	10	3	-	3	-	-	-	16	731	18	765
Personnel	1,336	772	-	402	-	-	15	2,525	6,308	615	9,448
Fundraising event supplies	-	-	-	-	-	-	-	-	-	16,096	16,096
Advertising and promotion	-	-	371	-	-	-	-	371	-	-	371
Insurance	1,134	627	-	320	-	-	-	2,081	2,888	494	5,463
Travel	988	1,368	7,309	1,559	-	-	58	11,282	2,470	406	14,158
Program event supplies	-	-	1,178	488	-	-	-	1,666	-	-	1,666
	<u>\$ 986,427</u>	<u>\$ 585,046</u>	<u>\$ 310,208</u>	<u>\$ 320,297</u>	<u>\$ 12,500</u>	<u>\$ 557,155</u>	<u>\$ 151,493</u>	<u>\$ 2,923,126</u>	<u>\$ 444,932</u>	<u>\$ 499,530</u>	<u>\$ 3,867,588</u>

*See accompanying notes to financial statements.*



**CLIMATE SOLUTIONS**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 5,097,549	\$ 3,770,198
Cash received from grants	77,000	215,572
Cash received from interest and other	4,366	6,086
Cash paid to employees and suppliers	(4,103,543)	(3,648,711)
	1,075,372	343,145
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(14,111)	(10,574)
Purchase of certificates of deposit	(391)	(1,961)
	(14,502)	(12,535)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from forgivable loan payable	-	364,747
	-	364,747
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,060,870	695,357
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of the year	1,885,962	1,190,605
End of the year	\$ 2,946,832	\$ 1,885,962
<b>SUPPLEMENTAL INFORMATION</b>		
Note forgiveness	\$ 364,747	\$ -

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

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**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, 2021 and 2020.

**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 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, 2021 AND 2020**

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**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%.

**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, 2021 and 2020.

**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, 2021 AND 2020**

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**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).

**Subsequent Events** – Subsequent events were evaluated through September 16, 2022, which is the date the financial statements were available to be issued.

**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:

	2021	2020
Financial Assets		
Cash and certificates of deposit (CD)	\$ 3,103,636	\$ 2,042,375
Contributions and grants receivable	562,267	756,271
Total financial assets	3,665,903	2,798,646
Less those unavailable for general expenditures within one year:		
Long term contributions and grants receivable	(290,000)	(425,000)
Financial assets available within one year	\$ 3,375,903	\$ 2,373,646

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

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**Note 2 – Liquidity and Availability (Continued)**

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 must 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>2021</u>	<u>2020</u>
Furniture and equipment	\$ 78,500	\$ 64,389
Less accumulated depreciation	(59,540)	(45,868)
	<u>\$ 18,960</u>	<u>\$ 18,521</u>

**Note 4 – Net Assets With Donor Restrictions**

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

	<u>2021</u>	<u>2020</u>
Restricted for a specified purpose or passage of time:		
100% Clean	\$ 845,500	\$ 668,765
For use in subsequent years	405,000	500,000
Innovation fund	90,000	-
Clean Transportation Coalition	-	60,000
	<u>\$ 1,340,500</u>	<u>\$ 1,228,765</u>

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

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**Note 5 – Forgivable Loan Payable**

The Organization entered into a Small Business Administration Paycheck Protection Program loan payable with a bank on April 11, 2020 for \$364,747 with a maturity date of April 11, 2022, if conditions were not met. In the year ended December 31, 2021 the Organization received notice that the full forgivable loan payable balance had been forgiven.

**Note 6 – 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 \$92,952 and \$82,805 to the Plan during the years ended December 31, 2021 and 2020, respectively.

**Note 7 – 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 \$150,855 and \$163,386 for the years ended December 31, 2021 and 2020, respectively. The following is a schedule by years of future minimum rentals under these leases for the years ending December 31:

2022	\$ 158,928
2023	162,624
2024	166,320
2025	56,672
	<u>\$ 544,544</u>

**CLIMATE SOLUTIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 8 – Concentrations**

At December 31, 2021, 67% of contributions and grants receivable was due from one donor. At December 31, 2020, 66% of contributions and grants receivable was due from one donor.

**Note 9 – Risks and Uncertainties**

In December 2019, a novel strain of coronavirus (COVID-19) was discovered. 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 were changed to reflect a remote work environment to ensure the safety of staff. This continued throughout 2021.

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. Fundraising has remained very strong in 2021 and expenses low due to the remote work environment.