

CLIMATE SOLUTIONS

Financial Statements
December 31, 2023 and 2022

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Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA



INDEPENDENT AUDITOR'S 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 statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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.

Prior Period Financial Statements

The financial statements of Climate Solutions as of December 31, 2022, were audited by other auditors whose report dated February 29, 2024, expressed an unmodified opinion on those statements.

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 Solution'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. 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 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.

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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 Solution'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 Climate Solution'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.

Greenwood Ohlund

Seattle, Washington
July 15, 2024

CLIMATE SOLUTIONS

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 2,550,971	\$ 3,073,735
Certificates of deposit	375,154	157,197
Contributions and grants receivable	1,155,414	874,021
Due from Climate Solutions Action Fund	111,801	11,863
Prepaid expenses and other assets	64,221	35,715
Total current assets	4,257,561	4,152,531
Contributions and Grants Receivable, net	35,000	825,000
Right-of-Use Asset – Operating Lease	287,437	386,744
Total assets	\$ 4,579,998	\$ 5,364,275
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 280,716	\$ 180,044
Accrued payroll and related	279,399	186,771
Operating lease liability	192,588	180,621
Total current liabilities	752,703	547,436
Operating Lease Liability, net of current portion	84,107	276,695
Total liabilities	836,810	824,131
Net Assets		
Without donor restrictions	2,155,188	3,025,144
With donor restrictions	1,588,000	1,515,000
Total net assets	3,743,188	4,540,144
Total liabilities and net assets	\$ 4,579,998	\$ 5,364,275

See accompanying notes to financial statements.

CLIMATE SOLUTIONS

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions and grants	\$ 2,273,811	\$ 1,430,000	\$ 3,703,811	\$ 3,428,955	\$ 2,330,250	\$ 5,759,205
Special events	266,894	-	266,894	-	-	-
Special events – direct benefit to donor	(75,773)	-	(75,773)	-	-	-
Interest income	57,395	-	57,395	8,714	-	8,714
Other income	93,254	-	93,254	18,209	-	18,209
Net assets released from donor restrictions	1,357,000	(1,357,000)	-	2,155,750	(2,155,750)	-
Total support and revenue	3,972,581	73,000	4,045,581	5,611,628	174,500	5,786,128
Expenses						
Program services	3,483,368	-	3,483,368	3,473,815	-	3,473,815
Management and general	681,956	-	681,956	570,402	-	570,402
Fundraising	677,213	-	677,213	614,811	-	614,811
Total expenses	4,842,537	-	4,842,537	4,659,028	-	4,659,028
Change in net assets	(869,956)	73,000	(796,956)	952,600	174,500	1,127,100
Net Assets, beginning of year	3,025,144	1,515,000	4,540,144	2,072,544	1,340,500	3,413,044
Net Assets, end of year	<u>\$ 2,155,188</u>	<u>\$ 1,588,000</u>	<u>\$ 3,743,188</u>	<u>\$ 3,025,144</u>	<u>\$ 1,515,000</u>	<u>\$ 4,540,144</u>

See accompanying notes to financial statements.

CLIMATE SOLUTIONS

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2023

	Program Services							Management and General	Fundraising	Total
	100% Clean WA	100% Clean OR	Lobbying	Communications	Breaking Barriers Collaborative	Climate Champions	Total			
Salaries and wages	\$ 688,172	\$ 513,962	\$ 47,786	\$ 219,930	\$ 183,773	\$ 60,005	\$ 1,713,628	\$ 403,449	\$ 451,306	\$ 2,568,383
Payroll taxes and benefits	167,144	117,032	11,878	53,617	43,584	14,572	407,827	104,848	110,594	623,269
Total payroll and related	855,316	630,994	59,664	273,547	227,357	74,577	2,121,455	508,297	561,900	3,191,652
Contract labor and services	230,740	182,409	147,337	185,762	118,759	1,733	866,740	68,584	16,510	951,834
Office and other	18,773	13,621	5,713	6,706	17,053	1,280	63,146	62,585	24,309	150,040
Technology and communications	38,603	27,711	5,458	20,037	9,521	2,373	103,703	17,504	21,992	143,199
Grants to other organizations	112,000	-	-	30,000	-	-	142,000	-	-	142,000
Occupancy	38,765	31,333	4,267	9,920	15,055	5,146	104,486	15,410	16,699	136,595
Event supplies	-	-	-	-	-	-	-	-	100,746	100,746
Staff support	21,040	12,303	-	7,041	6,130	566	47,080	2,944	4,745	54,769
Travel	12,607	9,472	-	5,895	5,628	1,092	34,694	4,720	6,070	45,484
Government fees	26	16	-	11	10	1	64	1,912	15	1,991
Total expenses	1,327,870	907,859	222,439	538,919	399,513	86,768	3,483,368	681,956	752,986	4,918,310
Special events – direct benefit to donor	-	-	-	-	-	-	-	-	(75,773)	(75,773)
	<u>\$ 1,327,870</u>	<u>\$ 907,859</u>	<u>\$ 222,439</u>	<u>\$ 538,919</u>	<u>\$ 399,513</u>	<u>\$ 86,768</u>	<u>\$ 3,483,368</u>	<u>\$ 681,956</u>	<u>\$ 677,213</u>	<u>\$ 4,842,537</u>

See accompanying notes to financial statements.

CLIMATE SOLUTIONS

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2022

	Program Services						Management and General	Fundraising	Total
	100% Clean WA	100% Clean OR	Lobbying	Communications	Breaking Barriers Collaborative	Total			
Salaries and wages	\$ 549,951	\$ 477,883	\$ 65,498	\$ 193,770	\$ 57,109	\$ 1,344,211	\$ 335,404	\$ 397,205	\$ 2,076,820
Payroll taxes and benefits	131,218	106,604	14,620	47,102	11,027	310,571	91,925	99,676	502,172
Total payroll and related	681,169	584,487	80,118	240,872	68,136	1,654,782	427,329	496,881	2,578,992
Contract labor and services	453,803	240,407	128,622	76,474	186,031	1,085,337	36,114	21,367	1,142,818
Grants to other organizations	95,000	314,210	-	-	40,000	449,210	-	-	449,210
Occupancy	68,328	25,857	2,409	26,756	3,636	126,986	38,915	46,130	212,031
Technology and communications	39,478	34,060	4,165	19,718	2,970	100,391	20,853	24,516	145,760
Staff support	11,530	19,637	98	3,149	573	34,987	9,777	4,043	48,807
Office and other	983	900	2,010	1,576	-	5,469	17,691	10,181	33,341
Travel	4,661	9,094	22	2,393	343	16,513	2,036	1,738	20,287
Government fees	38	83	-	18	1	140	17,687	22	17,849
Event supplies	-	-	-	-	-	-	-	9,933	9,933
Total expenses	<u>\$ 1,354,990</u>	<u>\$ 1,228,735</u>	<u>\$ 217,444</u>	<u>\$ 370,956</u>	<u>\$ 301,690</u>	<u>\$ 3,473,815</u>	<u>\$ 570,402</u>	<u>\$ 614,811</u>	<u>\$ 4,659,028</u>

See accompanying notes to financial statements.

CLIMATE SOLUTIONS

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Cash received from donors	\$ 4,479,312	\$ 4,610,588
Cash received from interest and other	50,711	26,530
Cash paid to personnel	(3,099,024)	(2,549,234)
Cash paid to vendors	(1,593,806)	(1,511,771)
Cash paid to grantees	(142,000)	(449,210)
	<hr/>	<hr/>
Net cash flows from operating activities	(304,807)	126,903
Cash Flows from Investing Activity		
Purchases of certificates of deposit	(217,957)	-
	<hr/>	<hr/>
Net change in cash and cash equivalents	(522,764)	126,903
Cash and Cash Equivalents, beginning of the year	<hr/> 3,073,735	<hr/> 2,946,832
Cash and Cash Equivalents, end of the year	<hr/> <u>\$ 2,550,971</u>	<hr/> <u>\$ 3,073,735</u>

See accompanying notes to financial statements.

CLIMATE SOLUTIONS

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

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.

The Organization is affiliated with Climate Solutions Action Fund (the Action Fund), a nonprofit organization in Washington state. The Organization and the Action Fund are united in their mission. The Organization shares the cost of certain operating expenditures (primarily staffing and occupancy) with the Action Fund. The amounts shared are recognized as reductions of expense at the Organization and due from the Action Fund. Amounts due from the Action Fund total \$111,801 and \$11,863 at December 31, 2023 and 2022, respectively. Although there are transactions between the Organization and the Action Fund, all financial activity is presented independent from one another. In addition, the Organization and the Action Fund share board members, but not a majority for either board. Accordingly, these entities are not consolidated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation

In accordance with accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets without and with Donor Restrictions

Net assets without donor restrictions are available for support of the Organization's operations.

Some net assets with donor restrictions are temporary in nature and consist of unexpended contributions and grants restricted for particular programs or time periods. Net assets with temporary donor restrictions that are temporary in nature are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or as the time restrictions are met.

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

	2023	2022
100% Clean	\$ 612,500	\$ 535,000
Restricted for future periods	475,000	465,000
Breaking Barriers	397,500	515,000
Communications	103,000	-
	<u>\$ 1,588,000</u>	<u>\$ 1,515,000</u>

CLIMATE SOLUTIONS

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash and cash equivalents represent cash in banks. The Organization considers all short-term securities with an original maturity of three months or less to be cash. On occasion, the Organization has amounts deposited with financial institutions in excess of federally insured limits. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Certificates of Deposit

Certificates of deposit are recognized at cost plus accrued interest.

Contributions and Grants Receivable

Contributions and grants receivable are recognized as revenues in the period the unconditional award is received. Contributions and grants receivable that are expected to be collected in one year are recorded at net realizable value. Contributions and grants receivable over periods in excess of one year are initially recorded at fair value. In arriving at fair value, management considers discounting these contributions using donor-specific, risk-adjusted discount rates. The initial discount and subsequent amortization are recognized to contribution and grant revenue.

Management reviews the collectability of contributions and grants receivable on a periodic basis and determines the appropriate amount of any allowance. The Organization charges off receivables to the allowance when management determines that the receivables are not collectible. No allowance for accounts receivable was considered necessary at December 31, 2023 or 2022.

Receivables from four donors represented 84% of contributions and grants receivable at December 31, 2023. Receivables from two donors represented 76% of at December 31, 2022.

Contributions and grants receivable consist of the following at December 31:

	2023	2022
Receivable in less than one year	\$ 1,155,414	\$ 874,021
Receivable in one to five years	35,000	828,979
	1,190,414	1,703,000
Unamortized discount (2%)	-	(3,979)
	<u>\$ 1,190,414</u>	<u>\$ 1,699,021</u>

CLIMATE SOLUTIONS

NOTES TO FINANCIAL STATEMENTS

These amounts are included in the statements of financial position as follows at December 31:

	<u>2023</u>	<u>2022</u>
Contributions and grants receivable (current)	\$ 1,155,414	\$ 874,021
Contributions and grants receivable (noncurrent)	<u>35,000</u>	<u>825,000</u>
	<u>\$ 1,190,414</u>	<u>\$ 1,699,021</u>

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and operating lease liabilities in the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred, and these leases are not included as ROU assets or lease liabilities on the statements of financial position. The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

Contribution and Grant Revenue Recognition

Contributions and grant revenues (including those earned from special events) are recognized when the unconditional contribution or grant award is made. Conditional contributions and grants are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Contributions and grants from one donor represented 17% of total support and revenue during the year ended December 31, 2023. There were no concentrations from donors during the year ended December 31, 2022.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. These expenses include payroll and related, contract labor and services, technology and communication, staff support, and other, which are allocated based on estimates of time and effort. Occupancy is allocated based on estimates of use of space.

CLIMATE SOLUTIONS

NOTES TO FINANCIAL STATEMENTS

Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

Subsequent Events

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was July 15, 2024.

Note 2 – Liquidity and Availability of Resources

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 and cash equivalents and certificates of deposit accounts have adequate resources to cover cashflow throughout the year.

The Organization has net assets with donor restrictions. These restrictions are for programs that are regularly carried on and therefore not excluded from amounts available for general expenditure within the next year.

The following table represents the financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of the timing of collections of receivables.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 2,550,971	\$ 3,073,735
Certificate of deposit	375,154	157,197
Contributions and grants receivable	1,155,414	1,699,021
Due from Climate Solutions Action Fund	<u>111,801</u>	<u>11,863</u>
Total financial assets	4,193,340	4,941,816
Amounts not available for general use within one year:		
Contributions and grants receivable due in excess of one year	<u>(35,000)</u>	<u>(825,000)</u>
	<u>\$ 4,158,340</u>	<u>\$ 4,116,816</u>

CLIMATE SOLUTIONS

NOTES TO FINANCIAL STATEMENTS

Note 3 – Operating Lease

The Organization leases its office facilities in Seattle under an operating lease with a term through October 2025. The Organization has recognized an operating lease right-of-use asset and corresponding operating lease liability representing the payments required under the lease through maturity. Rent expense under this lease was \$156,784 during each of the years ended December 31, 2023 and 2022, and is included within occupancy in the statements of functional expenses. Operating cash flows under this lease were \$194,685 and \$164,232 during the years ended December 31, 2023 and 2022, respectively.

A maturity analysis of undiscounted cash flows for the lease liability as of December 31, 2023, is as follows for the years ending December 31:

2024	\$	199,338
2025		84,887
		<hr/>
		284,225
Less: Imputed interest (at 4.0%)		<hr/>
		(7,530)
		<hr/>
	\$	<u>276,695</u>

The operating lease liability is presented in the statements of financial position as follows at December 31:

	<u>2023</u>	<u>2022</u>
Operating lease liability (a current liability)	\$ 192,588	\$ 180,621
Operating lease liability, net of current portion	<u>84,107</u>	<u>276,695</u>
	<u>\$ 276,695</u>	<u>\$ 457,316</u>

Note 4 – 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 \$122,506 and \$99,900 to the Plan during the years ended December 31, 2023 and 2022, respectively.