

**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Climate Central, Inc.

We have audited the accompanying financial statements of Climate Central, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Climate Central, Inc. as of December 31, 2020 and 2019, 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.

### **Uncertainty**

As discussed in Note 12 to the financial statements, during 2020, the World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.



CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland  
June 7, 2021

**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Assets:		
Cash and cash equivalents	\$ 5,367,780	\$ 4,688,079
Restricted cash	64,016	63,379
Unconditional promises to give	-	1,075,000
Grants and contracts receivables	69,775	75,613
Unbilled contract receivables	59,216	214,838
Prepaid expenses	74,569	68,461
Property and equipment, net	239,317	181,464
Intangible assets, net	<u>105,202</u>	<u>114,100</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>5,979,875</u></b>	<b>\$ <u>6,480,934</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable	\$ 214,247	\$ 398,876
Accrued expenses	285,276	287,598
Deferred rent	<u>52,516</u>	<u>56,710</u>
Total liabilities	<u>552,039</u>	<u>743,184</u>
Commitments and contingencies (Notes 9, 10, 11 and 12)		
Net assets:		
Without donor restrictions	2,283,818	1,711,969
With donor restrictions	<u>3,144,018</u>	<u>4,025,781</u>
Total net assets	<u>5,427,836</u>	<u>5,737,750</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>5,979,875</u></b>	<b>\$ <u>6,480,934</u></b>

See accompanying notes to financial statements.

**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenues:			
Contributions:			
Foundation support	\$ 368,000	\$ -	\$ 368,000
Individual support	2,022,113	1,153,408	3,175,521
Foundation grants	307,708	1,416,792	1,724,500
Government grants	505,449	-	505,449
Program fees	268,883	-	268,883
Other revenues	167,397	-	167,397
Interest income	<u>677</u>	<u>-</u>	<u>677</u>
	3,640,227	2,570,200	6,210,427
Net assets released from restrictions	<u>3,451,963</u>	<u>(3,451,963)</u>	<u>-</u>
Total support and revenues	<u>7,092,190</u>	<u>(881,763)</u>	<u>6,210,427</u>
Total program expenses	<u>5,185,388</u>	<u>-</u>	<u>5,185,388</u>
Supporting services:			
Management and general	626,443	-	626,443
Fundraising and development	<u>708,510</u>	<u>-</u>	<u>708,510</u>
Total supporting services	<u>1,334,953</u>	<u>-</u>	<u>1,334,953</u>
Total expenses	<u>6,520,341</u>	<u>-</u>	<u>6,520,341</u>
Change in net assets	571,849	(881,763)	(309,914)
Net assets - beginning	<u>1,711,969</u>	<u>4,025,781</u>	<u>5,737,750</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 2,283,818</u></u>	<u><u>\$ 3,144,018</u></u>	<u><u>\$ 5,427,836</u></u>

See accompanying notes to financial statements.

**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenues:			
Contributions:			
Foundation support	\$ 344,000	\$ -	\$ 344,000
Individual support	3,032,846	2,750,777	5,783,623
Foundation grants	475,993	1,125,004	1,600,997
Government grants	609,714	-	609,714
Program fees	32,025	-	32,025
Other revenues	159,474	-	159,474
Interest income	<u>594</u>	<u>-</u>	<u>594</u>
	4,654,646	3,875,781	8,530,427
Net assets released from restrictions	<u>2,042,691</u>	<u>(2,042,691)</u>	<u>-</u>
Total support and revenues	<u>6,697,337</u>	<u>1,833,090</u>	<u>7,920,713</u>
Total program expenses	<u>4,720,298</u>	<u>-</u>	<u>4,720,298</u>
Supporting services			
Management and general	390,555	-	390,555
Fundraising and development	<u>827,652</u>	<u>-</u>	<u>827,652</u>
Total supporting services	<u>1,218,207</u>	<u>-</u>	<u>1,218,207</u>
Total expenses	<u>5,938,505</u>	<u>-</u>	<u>5,938,505</u>
Change in net assets	758,832	1,833,090	2,591,922
Net assets - beginning	<u>953,137</u>	<u>2,192,691</u>	<u>3,145,828</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,711,969</u>	<u>\$ 4,025,781</u>	<u>\$ 5,737,750</u>

See accompanying notes to financial statements.

**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries and wages	\$ 2,497,250	\$ 610,383	\$ 355,766	\$ 3,463,399
Employee benefits	669,900	152,667	89,161	911,728
Payroll taxes	179,714	43,988	25,603	249,305
Professional fees	952,530	10,358	116,293	1,079,181
Occupancy	218,454	50,044	31,165	299,663
Information technology	158,488	11,728	10,063	180,279
Depreciation and amortization	99,637	22,824	14,214	136,675
Insurance	38,948	8,924	5,575	53,447
Accounting fees	-	41,957	-	41,957
Office expenses	15,936	4,024	17,957	37,917
Legal fees	15,794	8,303	-	24,097
Travel	10,691	6,265	3,817	20,773
Other	728	8,304	3,932	12,964
Training and development	4,506	654	492	5,652
Conference, conventions and meetings	-	3,304	-	3,304
Total expenses by function	4,862,576	983,727	674,038	6,520,341
Allocation of program-related management and general expenses	<u>322,812</u>	<u>(357,284)</u>	<u>34,472</u>	<u>-</u>
Total expenses	<u>\$ 5,185,388</u>	<u>\$ 626,443</u>	<u>\$ 708,510</u>	<u>\$ 6,520,341</u>

See accompanying notes to financial statements.



**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries and wages	\$ 2,350,544	\$ 516,849	\$ 420,878	\$ 3,288,271
Employee benefits	621,114	148,177	108,100	877,391
Payroll taxes	170,986	41,453	30,488	242,927
Professional fees	494,360	9,300	75,829	579,489
Occupancy	229,790	45,280	46,069	321,139
Information technology	197,995	9,333	12,238	219,566
Depreciation and amortization	90,973	17,927	18,238	127,138
Insurance	34,966	6,890	7,011	48,867
Accounting fees	-	40,777	-	40,777
Office expenses	22,363	7,005	7,602	36,970
Legal fees	10,821	3,513	-	14,334
Travel	65,474	15,429	37,705	118,608
Other	89	4,205	2,321	6,615
Training and development	6,227	3,068	2,068	11,363
Conference, conventions and meetings	-	5,050	-	5,050
Total expenses by function	4,295,702	874,256	768,547	5,938,505
Allocation of program-related management and general expenses	424,596	(483,701)	59,105	-
Total expenses	<u>\$ 4,720,298</u>	<u>\$ 390,555</u>	<u>\$ 827,652</u>	<u>\$ 5,938,505</u>

See accompanying notes to financial statements.

**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (309,915)	\$ 2,591,922
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	136,675	127,138
Deferred rent	(4,194)	3,171
Loss on disposal of property and equipment	-	1,426
Changes in operating assets and liabilities:		
Unconditional promises to give	1,075,000	200,000
Grants, contracts, and other receivables	5,838	(10,207)
Unbilled receivables	155,622	(95,410)
Prepaid expenses	(6,108)	(25,824)
Accounts payable	(184,630)	(331,356)
Accrued expenses	(2,320)	58,153
Deferred revenues	-	(74,847)
	<u>865,968</u>	<u>2,444,166</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(169,328)	(80,888)
Purchases of intangible assets	<u>(16,302)</u>	<u>(22,400)</u>
Net cash used in investing activities	<u>(185,630)</u>	<u>(103,288)</u>
Net increase in cash and cash equivalents	680,338	2,340,878
Cash and cash equivalents - beginning	<u>4,751,458</u>	<u>2,410,580</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u>\$ 5,431,796</u></u>	<u><u>\$ 4,751,458</u></u>

Reconciliation of cash and restricted cash:

The following table provides a reconciliation of cash and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows.

	<u>2020</u>	<u>2019</u>
Cash	\$ 5,367,780	\$ 4,688,079
Restricted cash	<u>64,016</u>	<u>63,379</u>
Total cash and restricted cash shown in the statements of cash flows	<u><u>\$ 5,431,796</u></u>	<u><u>\$ 4,751,458</u></u>

See accompanying notes to financial statements.

**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 1. NATURE OF ORGANIZATION**

Climate Central, Inc. (the "Organization") is an independent not-for-profit organization of leading scientists, tech experts and communication professionals that are dedicated to researching and reporting on climate change and its impacts and solutions to the public and decision-makers locally, nationally and internationally. The Organization surveys and conducts scientific research on climate change and informs the public of key findings. The Organization is not an advocacy organization and does not lobby or support any specific legislation, policy or bill regarding climate change.

The major programs of the Organization are Climate Matters, Sea Level Rise/Surging Seas, Partnerships Journalism and Enterprise.

*Climate Matters*

Climate Matters is a climate-reporting resource program grounded in the latest science that helps meteorologists and journalists report on climate impacts and solutions in ways that are local, immediate, and personal.

The Organization's team of scientists, data analysts and visual artists identify and interpret data and produce easy-to-understand text and visual materials, including graphics, interactives and videos, to help journalists build stories that will engage and enlighten their audience.

The Organization's reporting tools are available, free of charge, to anyone interested in telling engaging local, science-based stories about how global climate change is impacting their community, why it matters, and what can be done about it.

*Sea Level Rise/Surging Seas*

The Organization's program on Sea Level Rise strives to provide accurate, clear and granular information about sea level rise and coastal flood hazards both locally and globally, today and tomorrow. Anchored in rigorous primary research, the Organization's work distinguishes itself by its user-friendly maps and tools, extensive datasets, and high-quality visual presentation. The program dedicates its efforts to helping citizens, communities, businesses, organizations, and governments at every level to understand the consequences of different carbon pathways and to navigate the shifting waters of our warming world.

*Partnerships Journalism*

The Organization brings a partnerships journalism initiative to the service of the two core programs, Climate Matters and Sea Level Rise, to add depth to the understanding of the human impacts of climate change and, when applicable, its promising solutions.

Partnering with local and national media organizations, the Organization produces and helps develop stories for a wide variety of print, digital, radio, and TV outlets.

*Enterprise*

In addition to these three programs, there is another program under development titled "Enterprise" which focuses on marketing and licensing organizational tools and data to domestic and foreign corporations such as insurance and real estate companies, rating agencies and national, state and local governmental entities

**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Trustees (the "Board").

*Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors or grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other such restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Income taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code. The Organization is not a private foundation. Contributions to the Organization are deductible to the extent permitted by law. The Organization is also exempt from state income taxes.

Uncertain tax positions

The Organization follows accounting requirements associated with uncertainty in income taxes using the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will not be sustained upon examination by the taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

As of December 31, 2020 and 2019, the Organization had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements.

**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and cash equivalents

The Organization considers all highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents.

Grants, contracts and unbilled receivables

Grants and contracts receivable include amounts due from grants, program fees, and other miscellaneous sources. The amounts are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on management's estimation of collectibility. It is the Organization's policy to charge off uncollected receivables when management determines that it has exhausted all collection efforts. There was no allowance for doubtful accounts as of December 31, 2020 and 2019. All accounts receivable are expected to be collected in one year or less.

Unbilled receivables include unreimbursed expenses not yet invoiced. The unbilled receivables are expected to be billed and collected within one year or less.

Promises to give

Contributions and pledges, including unconditional promises to give, are recognized as revenues when the Organization is formally informed of the contributions by the respective donors. Unconditional promises to give are recognized as revenues or gains *in the period received as assets, decreases in liabilities, or expenses, depending on the form of the benefits received*. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions or barriers on which they depend are substantially met. Unconditional promises to give to be received after one year are discounted at an appropriate discount rate that is commensurate with the risks involved and are classified as with donor restrictions due to passage of time or purpose.

Contributions, grants, and other income

Contributions, and foundation and government grants, are recognized as revenue when they are unconditionally promised from the Organization's individual donors, foundations, and governments, respectively. Contribution and grants received that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are fulfilled in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

A portion of the Organization's revenue is derived from cost-reimbursable government grants, which are conditioned upon certain measurable performance barriers and/or the incurrence of allowable qualifying expenses. Revenue is recognized in the amount invoiced, typically monthly, since the amount corresponds directly to the value of the performance to date. Amounts received prior to incurring qualifying expenditures or providing the related services are reported as refundable advances in the statement of financial position.

**CLIMATE CENTRAL, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions, grants and other income (continued)

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For the years ended December 31, 2020 and 2019, there were no contributed services meeting the requirements for recognition in the financial statements; however, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs.

Donations of property and equipment are recorded as contributions at their estimated fair values at the dates of donation. Such donations are reported as increases in net assets without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their uses and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated or acquired assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions at that time and reports them as "Net assets released from restrictions" on the statements of activities.

Program fees

The Organization adopted ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606") on January 1, 2019. With the adoption of Topic 606, revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Under Topic 606, the Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The majority of the Organization's services represent a bundle of services that are not capable of being distinct and are treated as a single performance obligation. The Organization determines the transaction price based on contractually agreed upon rates, adjusted for any variable consideration, if any.

Program fees from licensing agreements and content sales are recognized at the time the content is delivered.

Property and equipment

Property and equipment purchased are stated at cost. The Organization has a capitalization threshold of \$1,000. Amounts incurred for property and equipment less than this amount are recorded as an expense. Property and equipment contributed to the Organization are recorded at fair value on the date received. Depreciation is computed using the straight-line method based on estimated useful lives. Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred. Property and equipment purchased under grant contracts, which become the property of the recipient, are expensed to the applicable program.

**CLIMATE CENTRAL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and equipment (continued)

Depreciation is provided using the straight-line and various accelerated methods over the estimated useful lives of the assets, which are as follows:

Computer equipment	5 years
Leasehold improvements	Estimated life or term of the lease, whichever is shorter.
Furniture and fixtures	5 years

Intangible assets

Intangible assets are recorded at cost. Intangible assets with finite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Website design costs are amortized on a straight-line basis over a five-year period. Intangible assets consisted of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Website design costs	\$ 342,052	\$ 325,750
Accumulated amortization	<u>(236,850)</u>	<u>(211,650)</u>
	<u>\$ 105,202</u>	<u>\$ 114,100</u>

Functional allocation of expenses

The costs of providing the Organization's program services, management and general, and fundraising activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses represents the natural classification detail of expenses by function. The Organization incurs expenses that directly relate, and can be assigned, to a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages and related costs	Time and effort
Professional fees	If not directly charged, allocated based on Full Time Equivalents per department
Information technology	Time and effort, and Full Time Equivalents per department
Occupancy	Full Time Equivalents per department
Depreciation and other	Full Time Equivalents per department

Recently issued but not yet adopted accounting pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases*. This update requires all leases with terms greater than 12 months to be recognized on the statement of financial position through a right-of-use assets and a lease liability and the disclosure of key information pertaining to lease arrangements. This new guidance was amended in June 2020 by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, deferring the effective date of ASU No.

**CLIMATE CENTRAL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently issued but not yet adopted accounting pronouncements (continued)

2016-02 to years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU is effective for annual periods beginning after June 15, 2021, with early adoption permitted. The Organization is evaluating the effect that ASU 2020-07 will have on its financial statements and related disclosures.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets or changes in net assets.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through June 7, 2021, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 3. LIQUIDITY AND AVAILABILITY**

The following represents the Organization's financial assets available for general expenditures within one year as of as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 5,367,780	\$ 4,688,079
Unconditional promises to give	-	1,075,000
Grants and contracts receivable	69,775	75,613
Unbilled receivables	<u>59,216</u>	<u>214,838</u>
Total financial assets at year-end	5,496,771	6,053,530
Less amounts not available to be used within one year:		
Net assets with donor restrictions	3,144,018	4,025,781
Less: net assets with purpose restrictions to be met in less than one year	<u>(3,144,018)</u>	<u>(4,025,781)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 5,496,771</u>	<u>\$ 6,053,530</u>



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**NOTE 3. LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Organization has \$5,496,771 and \$6,053,530 of financial assets available within one year of the statements of financial position date to meet cash needs for general and program expenditures including of cash in the amount of \$5,367,780 and \$4,688,079 for the years ended December 31, 2020 and 2019, respectively. The unconditional promises to give are subject to implied time restrictions but are expected to be collected within one year.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 180 days of normal operating expenses, which management estimates to be, approximately \$3,800,000 in 2021. The Organization structures its financial assets to be available to meet general expenditure obligations as they come due. Cash balances in excess of near-term obligations are held with the Organization's bank to generate balance credits to meet the costs of banking services on a monthly basis. Any balances considered to be in excess of such needs are invested in short-term investments.

The Organization has a governance and management process in place related to liquidity management. Balances of financial assets are monitored on a daily basis and are reported to the Organization's chief executive officer on a weekly basis. The balances of financial assets are reported to the Board and the Finance Committee of the Board during regularly scheduled Board and committee meetings (three times per year), and to the Executive Committee of the Board at regularly scheduled meetings or at any time that the balances of financial assets drop below the balance goal defined above.

In addition to the monitoring of financial assets on hand, the Board, the Finance Committee of the Board and the Executive Committee of the Board are advised of the fundraising activities of the Organization on the schedule noted above. The prospect pipeline is quantified and supported with qualitative information to allow for an assessment of the fundraising activities of the Organization.

**NOTE 4. CONCENTRATIONS**

Credit risk

At December 31, 2020 and 2019, the Organization maintained cash with a financial institution in amounts in excess of the coverage provided by federal insurance limits. The Organization maintains these accounts with a high credit quality financial institution, and, therefore, management does not believe the Organization faces a significant risk of loss on these accounts.

Promises to give

As of December 31, 2020, the Organization had no unconditional promises to give. As of December 31, 2019, unconditional promises to give were from two donors.

Support and revenues

During the year ended December 31, 2020, approximately 33% of the Organization's total support and revenue was derived from one donor. During the year ended December 31, 2019, approximately 53% of the Organization's total support and revenue was derived from three donors.

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**NOTE 5. RESTRICTED CASH**

As part of its lease agreement for an office facility, the Organization delivered an irrevocable standby letter of credit secured by a certificate of deposit. The certificate of deposit bears interest at the rate of 1.00% per annum and matures on April 28, 2023. In December 2018, the lease was modified to call for a letter of credit of \$41,802. The letter of credit automatically extends each year.

The certificate of deposit had a balance of \$64,016 and \$63,379 as of December 31, 2020 and 2019, respectively, which includes interest income earned that is included within "Interest income" in the accompanying statements of activities.

**NOTE 6. PROMISES TO GIVE**

Unconditional promises to give amounted to \$1,075,000 as of December 31, 2019. The entire balance was collected in less than one year. There were no unconditional promises to give at December 31, 2020.

At December 31, 2020 and 2019, there were \$350,000 and \$1,000,000, respectively, in outstanding conditional promises to give.

**NOTE 7. PROPERTY AND EQUIPMENT**

The Organization's property and equipment consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 627,607	\$ 589,853
Leasehold improvements	383,687	250,938
Furniture and fixtures	<u>136,110</u>	<u>137,285</u>
	1,147,404	978,076
Accumulated depreciation	<u>(908,087)</u>	<u>(796,612)</u>
Property and equipment, net	<u>\$ 239,317</u>	<u>\$ 181,464</u>

Depreciation expense was \$136,675 and \$127,138 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the years ended December 31, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
Programs:		
Sea Level Rise/Surging Seas	\$ 287,045	\$ 862,502
Climate Programs	<u>2,856,973</u>	<u>2,149,960</u>
Total programs	3,144,018	3,012,462
General operations/time restricted	<u>-</u>	<u>1,013,319</u>
Total	<u>\$ 3,144,018</u>	<u>\$ 4,025,781</u>

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**NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

During the years ended December 31, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions or by the passage of time.

	<u>2020</u>	<u>2019</u>
Programs:		
Sea Level Rise/Surging Seas	\$ 1,059,354	\$ 930,190
Climate Programs	<u>1,379,290</u>	<u>262,501</u>
Total programs	2,438,644	1,192,691
General operations/time restricted	<u>1,013,319</u>	<u>850,000</u>
	<u>\$ 3,451,963</u>	<u>\$ 2,042,691</u>

**NOTE 9. RETIREMENT PLAN**

The Organization has a defined contribution 401(k) plan. Substantially all employees are eligible to participate. Contributions to the plan are based on participant compensation but not more than statutory limits. The Organization made contributions of \$382,896 and \$354,801 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 10. RELATED-PARTY TRANSACTIONS**

The Organization received contribution support from organizations connected with a founding board member of the Organization. Contributions to the Organization from these related parties totaled \$2,025,000 and \$2,550,000 for the years ended December 31, 2020 and 2019, respectively.

During 2020 and 2019, the Organization received support from other organizations totaling \$500,000 and \$2,550,000, respectively, that are associated with certain board members.

During 2020 and 2019, the Organization received support from certain board members totaling \$14,500 and \$70,398, respectively.

**NOTE 11. LEASES**

The Organization has a non-cancelable operating lease for an office facility in New Jersey which expires in September 2023. The lease was last modified in 2019 to increase the office space rented. Rental expense for the operating lease was \$273,403 and \$268,092 for the years ended December 31, 2020 and 2019, respectively.

At December 31, 2020, future minimum rental payments due under the prior and modified lease over the revised term are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2021	\$ 281,033
2022	289,464
2023	<u>221,946</u>
	<u>\$ 792,443</u>

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**NOTE 11. LEASES (CONTINUED)**

The Organization's operating lease agreement contains provisions for future rent increases. In accordance with U.S. GAAP, the Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term (straight-line basis). The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent," which is reflected as a separate line item in the accompanying statements of financial position.

**NOTE 12. RISKS AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the outbreak of a strain of coronavirus ("COVID-19") a pandemic. As a result, economic uncertainties have arisen which may negatively impact the Organization's operations. Other financial and operational impacts could occur, though such potential impact is unknown at this time. No adjustments or provisions were made in these financial statements related to uncertainties which have arisen or which may arise in the future due to COVID-19.