INSTITUTE FOR SUSTAINABLE COMMUNITIES, AFFILIATE AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended September 30, 2019
(With Summarized Financial Information for the Year Ended September 30, 2018)

and
Report Thereon

INSTITUTE FOR SUSTAINABLE COMMUNITIES,
AFFILIATE AND SUBSIDIARIES

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For the Year Ended September 30, 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Institute for Sustainable Communities,
Affiliate and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Institute for Sustainable Communities (ISC), its Affiliate, ISC Enterprises L3C (ISC Enterprises), and its Subsidiaries, the Organization for Sustainable Communities (OSC) and Sustainable Communities India (SCI) (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Continued

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Opinion

In our opinion, the 2019 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Institute for Sustainable Communities and its Affiliate and Subsidiaries as of September 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's September 30, 2018 consolidated financial statements, and in our report dated March 12, 2019, we expressed an unmodified audit opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

Washington, DC
April 3, 2020

INSTITUTE FOR SUSTAINABLE COMMUNITIES,
AFFILIATE AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2019
(With Summarized Financial Information as of September 30, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 2,912,966	$ 2,862,083
Grants and contributions receivable, net	3,436,795	1,254,271
Due from the United States government	272,495	707,064
Accounts receivable	122,599	174,754
Prepaid expenses and advances	125,341	260,060
Investments	1,774,349	1,229,726
Fixed assets, net	91,054	100,237
Security deposits	16,731	23,018
TOTAL ASSETS	$ 8,752,330	$ 6,611,213
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 584,654	$ 442,124
Accrued salaries and related benefits	205,518	168,539
Refundable advances	148,438	96,784
TOTAL LIABILITIES	938,610	707,447
Net Assets		
Without donor restrictions	1,601,491	1,473,821
With donor restrictions	6,212,229	4,429,945
TOTAL NET ASSETS	7,813,720	5,903,766
TOTAL LIABILITIES AND NET ASSETS	$ 8,752,330	$ 6,611,213

The accompanying notes are an integral part of these consolidated financial statements.

INSTITUTE FOR SUSTAINABLE COMMUNITIES,
AFFILIATE AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019
(With Summarized Financial Information for the Year Ended September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Grants and contributions:				
United States government	$ 2,781,948	$ -	$ 2,781,948	$ 2,709,336
Private foundations and corporations	175,000	5,925,000	6,100,000	2,269,831
Individuals	102,788	261,500	364,288	385,878
Donated services	-	-	-	11,950
Contracts	281,250	-	281,250	507,066
Registrations	2,314	-	2,314	13,215
Investment income	38,229	7,887	46,116	24,415
Other income	5,574	2,857	8,431	2,575
Net assets released from restrictions:				
Satisfaction of time restrictions	69,900	(69,900)	-	-
Satisfaction of purpose restrictions	4,345,060	(4,345,060)	-	-
TOTAL REVENUE AND SUPPORT	7,802,063	1,782,284	9,584,347	5,924,266
EXPENSES				
Program Services:				
Asia	3,012,785	-	3,012,785	3,204,578
U.S. programs	2,817,218	-	2,817,218	2,024,266
Special programs	55,564	-	55,564	5,996
Total Program Services	5,885,567	-	5,885,567	5,234,840
Supporting Services:				
Administration	1,604,207	-	1,604,207	1,457,308
Fundraising	184,619	-	184,619	196,093
Total Supporting Services	1,788,826	-	1,788,826	1,653,401
TOTAL EXPENSES	7,674,393	-	7,674,393	6,888,241
CHANGE IN NET ASSETS	127,670	1,782,284	1,909,954	(963,975)
NET ASSETS, BEGINNING OF YEAR	1,473,821	4,429,945	5,903,766	6,867,741
NET ASSETS, END OF YEAR	$ 1,601,491	$ 6,212,229	$ 7,813,720	$ 5,903,766

The accompanying notes are an integral part of these consolidated financial statements.

INSTITUTE FOR SUSTAINABLE COMMUNITIES, AFFILIATE AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2019
(With Summarized Financial Information for the Year Ended September 30, 2018)

	Program Services				Supporting Services				
	Asia	U.S. Programs	Special Programs	Total Program Services	Administration	Fundraising	Total Supporting Services	2019 Total	2018 Total
Salaries	$ 1,246,423	$ 1,060,958	$ -	$ 2,307,381	$ 884,295	$ 118,930	$ 1,003,225	$ 3,310,606	$ 3,186,350
Subgrants	72,842	1,049,777	-	1,122,619	-	-	-	1,122,619	402,154
Consultants	813,519	119,097	53,919	986,535	61,985	7,355	69,340	1,055,875	1,085,736
Personnel benefits	248,065	310,143		558,208	248,670	34,766	283,436	841,644	750,932
Occupancy	215,232	-	-	215,232	156,408	-	156,408	371,640	329,505
Travel	202,379	120,318	1,291	323,988	38,396	4,198	42,594	366,582	443,837
Program trainings and conventions	67,642	92,128	-	159,770	13,986	2,592	16,578	176,348	181,139
Office operations	55,748	7,370	7	63,125	54,162	1,341	55,503	118,628	135,384
Professional services	43,267	21,047	347	64,661	48,891	1,611	50,502	115,163	142,538
Supplies and equipment	21,044	24,904	-	45,948	27,820	5,146	32,966	78,914	86,488
Staff recruitment and development	14,403	11,476	-	25,879	25,323	8,680	34,003	59,882	58,734
Depreciation and amortization	-	-	-	-	44,271	-	44,271	44,271	24,669
Bad debt expense	12,221	-	-	12,221	-	-	-	12,221	48,825
Donated services	-	-	-	-	-	-	-	-	11,950
TOTAL EXPENSES	$ 3,012,785	$ 2,817,218	$ 55,564	$ 5,885,567	$ 1,604,207	$ 184,619	$ 1,788,826	$ 7,674,393	$ 6,888,241

The accompanying notes are an internal part of these consolidated financial statements.

INSTITUTE FOR SUSTAINABLE COMMUNITIES,
AFFILIATE AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2019
(With Summarized Financial Information for the Year Ended September 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,909,954	$ (963,975)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	44,271	24,669
Realized and unrealized gain on investments	(300)	(5,839)
Changes in assets and liabilities:		
Grants and contributions receivable	(2,182,524)	2,161,351
Due from the United States government	434,569	186,496
Accounts receivable	52,155	(25,236)
Prepaid expenses and advances	134,719	(99,224)
Security deposits	6,287	(4,369)
Accounts payable and accrued liabilities	142,530	176,876
Accrued salaries and related benefits	36,979	(48,766)
Refundable advances	51,654	36,955
NET CASH PROVIDED BY OPERATING ACTIVITIES	630,294	1,438,938
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(35,088)	(67,824)
Purchases of investments	(1,785,370)	(1,238,836)
Sales of investments	1,241,047	295,959
NET CASH USED IN INVESTING ACTIVITIES	(579,411)	(1,010,701)
NET INCREASE IN CASH AND CASH EQUIVALENTS	50,883	428,237
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,862,083	2,433,846
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,912,966	$ 2,862,083

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

The Institute for Sustainable Communities (ISC) is an independent, nonprofit, tax-exempt organization that provides training and technical assistance to communities, nongovernmental organizations (NGOs), businesses and government agencies. ISC's mission is to help communities around the world address environmental, economic and social challenges to build a better future shaped and shared by all. ISC's approach to engaging communities and building the capacity of local organizations to solve problems is critical to addressing issues such as environmental health and climate change, where citizen commitment, business engagement and local leadership are needed to have the most impact.

ISC's approach ensures that solutions emerge from within the community, rather than being imposed from the outside. ISC fosters creative solutions and lasting change by combining technical expertise and leadership training with strategic investments in local organizations.

Since ISC's founding in 1991 by former Vermont Governor Madeleine M. Kunin, ISC has led transformative community-driven projects around the globe in 30 countries. ISC is recognized for connecting civic participation with environmental problem solving and, over the years, ISC has developed an approach that accelerates a community's ability to meet challenges head-on.

ISC Enterprises L3C (ISC Enterprises) is a low-profit, limited liability company that was formed in July 2008. The mission of ISC Enterprises is to further the accomplishment of the purposes of ISC, its sole member, by facilitating the opening of offices in locations where ISC works.

The Organization for Sustainable Communities (OSC) is a wholly owned and controlled subsidiary located in India. ISC established OSC to develop the Environment, Health and Safety Center in Pune, India.

The Sustainable Communities India (SCI) is a wholly owned and controlled subsidiary located in India. ISC established SCI to support the mission of OSC.

ISC achieves its mission through the following programs:

Asia:

In 2014, ISC began work on the United States Agency for International Development (USAID)-funded, U.S.-China Partnership for Climate Smart Low Carbon Cities (CSLCC), which was intended to expand the ability of Chinese local leaders and urban practitioners to learn from their Chinese and U.S. peers, while developing the skills they need to plan and implement effective low carbon solutions, and reduce harmful emissions that affect the entire region. The project brought together local, national and international partners to strengthen the capacity of local leaders to use best practices in climate smart, low carbon urban development. It also increased the communication, collaboration and sharing of the most promising urban practices among local leaders in China, Asia and the U.S. The program ended successfully in July of

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

Asia (continued):

2017 with all four cities in the cohort adopting approaches to carbon reduction. The program will reduce emissions by 27.7 million metric tons by 2030, and spur an estimated $40 billion in additional investment for low carbon development solutions. Building off the success of the CSLCC, ISC, USAID and Energy Foundation China formed the Low Emissions Cities Alliance (LECA) in August of 2017. LECA is a $10 million partnership funded by USAID and EFC, and implemented by ISC. Working with stakeholders in the public and private sectors, this three-year program will expand ISC's previous CSLCC work with four cities to help 13 additional selected partner Chinese cities to significantly accelerate their emissions reductions.

The program will also accelerate emissions reductions more broadly throughout China by creating a network of Chinese trainers and supporting the expansion of national-level policies and regulations that draw upon best practices developed within the 13 cities.

With funding from USAID and corporate and foundation sources, ISC established two Environment, Health and Safety Centers (EHS+ Centers) in China to train factory managers to improve worker health and safety while reducing harmful environmental pollution, including GHG emissions. These locally-operated centers in China have been so successful training more than 35,000 factory managers that ISC expanded – forming local centers in Bangladesh and India and integrating them all into an EHS+ Network. The EHS+ Network is a global partnership that connects ISC's EHS+ Centers and supports ongoing learning among environment, health and safety (EHS) practitioners engaged in the supply chain in Asia. Key founding corporate partners included GE, Walmart, and Apple, Inc.

In October 2014, ISC launched its EHS+ India partnership with the Symbiosis Institute for International Business in Pune with funding support from The Walt Disney Company and GE Foundation. The Center began trainings in 2015 and has developed a robust partnership with India-based multinational the Mahindra Group.

In 2016, with the support of the MacArthur Foundation, ISC began the SME CleanTech Deployment program with the goal of leveraging ISC's existing EHS+ Center infrastructure in India to increase industrial energy efficiency training, coaching, and international best practices available to Small and Medium Enterprise (SME) manufacturers. Since the start of SME CleanTech, ISC has partnered with Energy Efficiency Services Ltd., the enterprise arm of India's Ministry of Power, to pilot a program to replace inefficient industrial electric motors. With data gathered from the pilot, ISC successfully won an award from P4G for its Energy Efficiency Alliance for Industry (E2 Alliance) – an initiative led by ISC and Energy Efficiency Services Ltd. to bring motor replacement to scale by accelerating Indian industry's deployment. The E2 Alliance aims to replace 50,000 motors and drive $35 million in private sector investment, and subsequently disseminate the scaled model to Bangladesh, Indonesia, the Philippines, and Vietnam.

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

Asia (continued):

In 2017, ISC became a partner in the Women + Water Alliance, a public-private partnership spearheaded by GAP, Inc. and USAID. The W+W Alliance focuses on changing how water is managed sustainably, as a shared, public resource across the Indian apparel value chain – from communities in cotton growing regions to those surrounding fabric mill producers and garment factories. ISC's role in the partnership is to use stakeholder engagement and pilot projects to identify how businesses and their surrounding textile and cotton growing communities can collaborate to reduce water shortage or pollution risks and have a long-term impact on the effective management of water resources for shared use.

In 2018, ISC's India EHS+ Center launched its Clean Energy Accelerator. The Accelerator is a USAID-funded initiative to increase the uptake of energy efficiency and renewable energy technologies through capacity building and technical assistance..

U.S. Programs:

In 2018, ISC launched the Upper Texas Gulf Coast Regional Resilience Initiative. The two-year initiative, funded by The JPB Foundation, will help tackle the Upper Texas Gulf Coast's economic, environmental, and social vulnerabilities – some of which were laid bare in the aftermath of Hurricane Harvey in 2017.

In early 2019, ISC completed its three-year-long initial phase of work with partner community-based organizations (CBOs) as part of The JPB Foundation-funded Partnership for Resilient Communities (PRC). The PRC works to transform the national urban climate resilience field by increasing the number of leaders of color in the urban field of practice, advancing approaches that build the resilience of people and places through influence-building and policy approaches, community education and engagement, and the installation of clean energy and green infrastructure. Each organization participating in this intensive capacity-building program receives technical assistance, access to a network of peer organizations and experts, and grant funding to implement its proposed green infrastructure or clean energy project. In mid-2019, the Partnership for Resilient Communities launched a 2nd phase, growing from four CBOs to a total of 12.

In 2019, ISC became the National Program Office for the Kresge Foundation's Climate Change, Health, and Equity Initiative. The multi-year effort is intended to accelerate the work of community-based organizations and collaborative as they seek to identify and implement policy solutions at the nexus of climate change, health, and racial equity. ISC will assist Kresge in the management of the community-based initiative's 14-month planning phase, which includes grant-making and technical assistance for future grant recipients.

ISC's Regional Climate Solutions (RCS) program is an ongoing initiative focused on propagating regionally-focused solutions to the challenges presented by climate change. The regional scale is ideal for implementation of major climate adaptation and resilience initiatives,

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

U.S. Programs (continued):

but is often underutilized. This program has resulted in the creation of the Puget Sound Climate Preparedness Collaborative, which is a regional collaborative supported by ISC with the goal of preparing for increased climate-related risks, such as wildfires, sea level rise, landslides, and flooding.

The RCS is largely inspired and informed by ISC's ongoing support for implementation of the South Florida Regional Climate Change Compact, which was formed in 2009. Funded by the Kresge Foundation and the Compact's four member counties, the Compact was cited by President Barack Obama as a "model not just for the country, but the world."

In 2019, ISC completed its three-year program, Advancing Community Resilience funded by the Phoenix-based Virginia G. Piper Charitable Trust Foundation. The program analyzed the area's existing social and economic systems, and then fostered resilience-based approaches to those systems among different communities of practice in the Maricopa County area. The initiative advanced new approaches to philanthropy and community resilience in the region and beyond.

Special Programs:

In 2018, ISC began the discovery phase of a program with General Motors to engage with sample communities to identify barriers to low- and medium-income access to smart mobility solutions. This culminated in two 2019 reports on equitable mobility solutions: Equity and Smart Mobility and Realizing Equity, Realizing Mobility.

Principles of Consolidation

The accompanying consolidated financial statements reflect the activity of ISC, ISC Enterprises, SCI and OSC (collectively referred to as the Organization). The financial statements of the organizations have been consolidated because they are under common control. All significant intercompany transactions have been eliminated during consolidation.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash Equivalents

Cash equivalents include short-term investments with a maturity date within three months of the date acquired by the Organization.

1. Organization and Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions

The U.S. dollar is the functional and reporting currency for the Organization's worldwide operations. Transactions in currencies other than U.S. dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect as of the date of the consolidated statement of financial position. There was a net loss of $3 from foreign currency transactions for the year ended September 30, 2019.

Investments

Investments consist of certificates of deposit due to mature in 2019 and 2020. Investments are reflected in the consolidated financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Measurement

In accordance with the fair value measurement standards, the Organization has categorized its applicable financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based upon the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of September 30, 2019, only the Organization's investments, as described in Note 4 of these consolidated financial statements, were measured at fair value on a recurring basis.

Fixed Assets and Related Depreciation and Amortization

Furniture and computer equipment are recorded at cost and include items with a cost greater than $1,000 and an estimated economic life in excess of one year. Depreciation on furniture and computer equipment is calculated using the straight-line method, over the estimated useful lives, generally three to five years. Leasehold improvements are recorded at cost and

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Fixed Assets and Related Depreciation and Amortization (continued)

are amortized over the shorter of the remaining term of the lease agreement or the useful life of the improvements. Intangible assets consist of strategic planning costs and are amortized over three years. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue.

Classification of Net Assets

The Organization's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Organization at the discretion of the Organization's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board has designated $1,288,179 of net assets without donor restrictions to serve as an operational and fundraising reserve to support strategic initiatives of the Organization.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the passage of time. These donor restrictions can also require the Organization to hold the assets in perpetuity. The Organization has no net assets that are required by the donors to be maintained in perpetuity.

Revenue Recognition

Grants and contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying consolidated statement of activities as net assets released from restrictions. Unconditional grants and contributions that have been promised but not yet received are reflected as grants and contributions receivable in the accompanying consolidated statement of financial position. Unconditional grants and contributions expected to be received in more than one year are recorded as grants and contributions receivable at the net present value of their estimated future cash flows.

Grants from the United States government are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on these grants for which billings have not been presented to or collected from the awarding agency are included in due from the United States government or accounts receivable in the accompanying consolidated statement of financial position. Amounts received in advance are recorded as refundable advances in the accompanying consolidated statement of financial position.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Subgrants

The Organization has two types of grants that are sub awarded. A solicited grant is competitively awarded on the basis of a solicited proposal, and an unsolicited grant is awarded on a rolling basis according to clear competitive criteria. Payments made to grantees are recorded as expenses. At fiscal year-end, any payments made to grantees during the fiscal year, or balances thereof, that have not been supported by a financial report are recorded as advances and included in prepaid expenses and advances in the accompanying consolidated statement of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Expenses directly attributed to a specific functional area of the Organization are reported as expenses of those functional areas. Salaries and benefits are allocated based on daily time sheets. The Organization does not allocate any other costs.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. Grants and Contributions Receivable

As of September 30, 2019, the Organization's grants and contributions receivable were due to be received as follows:

Less than one year	$ 2,175,900
One to five years	1,305,025
Total Grants and Contributions Receivable	3,480,925
Less: Discount Component	(44,130)
Grants and Contributions Receivable, Net	$ 3,436,795

2. Grants and Contributions Receivable (continued)

The discount rate used to calculate the discount component was approximately 3.5% for the year ended September 30, 2019. All amounts were considered fully collectible.

3. Due from the United States Government

As of September 30, 2019, the Organization was owed $272,495 from USAID, an agency of the United States government, which was due in less than one year and was considered fully collectible.

4. Investments

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of September 30, 2019, aggregated by the fair value hierarchy level in which those measurements were made:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Certificates of deposit:	$ 1,774,349	$ -	$ 1,774,349	$ -
Total Investments:	$ 1,774,349	$ -	$ 1,774,349	$ -

The Organization used the following methods and significant assumptions to estimate fair value for investments recorded at fair value:

Certificates of deposit – Valued at original cost plus accrued interest, which approximates fair value.

5. Fixed Assets and Related Depreciation and Amortization

The Organization held the following fixed assets as of September 30, 2019:

Computer equipment	$ 408,190
Furniture	340,072
Leasehold improvements	74,587
Intangible assets	32,650
Total Fixed Assets	855,499
Less: Accumulated Depreciation and Amortization	(764,445)
Fixed Assets, Net	$ 91,054

Depreciation and amortization expense was $44,271 for the year ended September 30, 2019.

6. Line of Credit

On March 12, 2019, the Organization entered into a line of credit agreement with a financial institution with a maximum available credit of $1,000,000. The line of credit is secured by certain assets of the Organization, as well as certificates of deposit maintained at the financial institution and renews on an annual basis. Interest accrues on all outstanding balances at 6.5%. As of September 30, 2019, there was no balance drawn on the line of credit.

7. Net Assets

Net Assets Without Donor Restrictions

The Organization's net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a working capital reserve and a fundraising reserve. As of September 30, 2019, the Organization's net assets without donor restrictions were as follows:

Undesignated	$ 313,312
Board-designated – operating reserve	988,179
Board-designated – fundraising reserve	300,000
Total Net Assets Without Donor Restrictions	$ 1,601,491

The board-designated net assets for operating and fundraising reserves were instituted to provide funding for various strategic initiatives of the Organization. The fundraising reserve was created to allow the Organization to invest in diversifying its revenue sources and donors.

Continued

7. Net Assets (continued)

Net Assets With Donor Restrictions

As of September 30, 2019, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:	
US Climate Program Activities	$ 5,125,318
Climate Innovation Fund	467,572
SME Clean Tech in India	126,895
Low Emissions City Alliance	105,553
Environmental, Health, and Safety Academy	112,061
Resilient Manufacturing Communities in India	98,074
Southeast Florida Regional Climate Change Compact	76,756
Total Subject to Expenditure for Specified Purpose	6,112,229
Subject to passage of time:	100,000
Total Net Assets With Donor Restrictions	$ 6,212,229

8. Commitments, Contingencies and Risks

Operating Leases

The Organization entered into a noncancelable lease agreement for its headquarters office in Montpelier, Vermont. The lease was modified in September 2013 and the lease term extended through August 2019. As of September 30, 2019, the Organization has transitioned into a month-to-month arrangement until a new lease is signed.

On April 1, 2018, the Organization entered into a lease agreement for its office in Washington, D.C., that is cancelable with three months' notice. The lease does not provide for rent escalations and continues through March 2021.

The Organization also leases office space in various other locations through short-term lease agreements or long-term agreements that allow the Organization to terminate the agreement with notice of three months.

Rent expense under these lease agreements totaled approximately $235,000 for the year ended September 30, 2019.

Continued

8. Commitments, Contingencies and Risks (continued)

Compliance Audit

The Organization has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenditures charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although the Organization expects such amounts, if any, to be insignificant.

Foreign Operations

The Organization has field offices in Asia and maintains cash accounts in several of the countries in which it operates. The future of certain programs may be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate. As of September 30, 2019, the Organization had foreign cash totaling approximately $149,000. The majority of funds held in foreign countries are uninsured.

Concentration of Risk

The Organization's cash and cash equivalents are composed of amounts in accounts at various financial institutions. As of September 30, 2019, the Organization's cash and cash equivalents balance and certificates of deposit held at various institutions totaled approximately $4,033,000. Of this amount, approximately $1,536,000 was guaranteed by the Federal Deposit Insurance Corporation. The approximately $2,497,000 remaining was uninsured as of September 30, 2019. While the amounts at times exceed the amount guaranteed by various agencies and insurers and, therefore, bear some risk, the Organization has not experienced, nor does it anticipate, any loss of funds.

Major Grantors

Approximately 91% of the Organization's revenue and support for the year ended September 30, 2019, was derived from grants and contributions from six donors. Additionally, the Organization was owed approximately $3,397,000 from four donors, which accounted for 92% of the Organization's receivables as of September 30, 2019. Management of the Organization does not believe that its relationship with these donors will be discontinued in the foreseeable future.

Continued

9. Availability and Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures at September 30, 2019, were as follows:

Cash and cash equivalents	$ 2,912,966
Grants and contributions receivable, current	2,175,900
Due from United States government	272,495
Accounts receivable	122,599
Investments	1,774,349
Total Financial Assets Available as of September 30, 2019	7,258,309
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	(4,951,334)
Amounts unavailable to management without Board approval: Board-designated for working capital and fundraising reserves	(1,288,179)
Financial Assets Available to Meet General Expenditures Within One Year	$ 1,018,796

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is done through monitoring and reviewing the Organization's cash flow needs regularly. As a result, management is aware of the cyclical nature of the Organization's cash flow and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of $1,000,000, which was unused and available to draw upon as of September 30, 2019. The Organization's used line of credit is secured by the Organization's investments. Additionally, the Organization has board-designated net assets that could be available for current operations with Board approval, if necessary.

10. Pension Plan

The Organization sponsors a tax-deferred annuity 403(b) plan for eligible employees. Eligible employees may elect to contribute to their individual annuity contracts through salary deferrals. The Organization's contributions are fully vested with the participating employee after one year of service. The Organization's contributions to the plan totaled $142,424 for the year ended September 30, 2019.

11. Income Taxes

ISC is exempt from the payment of income taxes on its income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. ISC Enterprises is a low-profit, limited liability company formed under the Vermont Limited Liability Company Act and is a disregarded entity for income tax purposes. OSC and SCI are wholly owned subsidiaries incorporated in India. There is no accrual for income tax expense, as the Organization had no significant unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertainty in income taxes for the year ended September 30, 2019, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of September 30, 2019, the statute of limitations for tax years remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. As of September 30, 2019, there are no audits for any tax periods in progress. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expenses. As of September 30, 2019, the Organization had no accruals for interest and/or penalties.

12. Prior Year Summarized Comparative Financial Information

The accompanying consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended September 30, 2018, from which the summarized information was derived.

13. Subsequent Events

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Organization has been able to continue most of its operations in a distributed environment and is making plans to adjust activities that cannot; however, at this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is evolving and uncertain.

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 3, 2020, the date the consolidated financial statements were available to be issued. Except as disclosed above, there were no subsequent events that require recognition or disclosure in these consolidated financial statements.