INSTITUTE FOR SUSTAINABLE COMMUNITIES, AFFILIATE AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended September 30, 2021
(With Summarized Financial Information for the Year Ended September 30, 2020)

and
Report Thereon

INSTITUTE FOR SUSTAINABLE COMMUNITIES, AFFILIATE AND SUBSIDIARIES

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For the Year Ended September 30, 2021

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, 2021, 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.

MARCUMGROUP
MEMBER

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Opinion

In our opinion, the 2021 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, 2021, 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, 2020 consolidated financial statements, and in our report dated April 29, 2021, 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, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

Washington, DC
June 23, 2022

INSTITUTE FOR SUSTAINABLE COMMUNITIES, AFFILIATE AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2021
(With Summarized Financial Information as of September 30, 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 2,628,079	$ 2,722,816
Grants and contributions receivable, net	2,610,899	2,974,197
Due from the United States government - awards	434,874	465,178
Due from the United States government - employee retention credit	154,301	-
Accounts receivable	134,747	136,802
Prepaid expenses and advances	154,225	145,148
Investments	1,299,974	1,325,804
Fixed assets, net	38,816	79,429
Security deposits	7,137	8,701
TOTAL ASSETS	$ 7,463,052	$ 7,858,075
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 410,678	$ 349,499
Accrued salaries and related benefits	99,716	173,360
Refundable advances	88,463	59,934
Paycheck Protection Program loan payable	472,725	466,579
TOTAL LIABILITIES	1,071,582	1,049,372
Net Assets		
Without donor restrictions	1,200,539	1,102,964
With donor restrictions	5,190,931	5,705,739
TOTAL NET ASSETS	6,391,470	6,808,703
TOTAL LIABILITIES AND NET ASSETS	$ 7,463,052	$ 7,858,075

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, 2021
(With Summarized Financial Information for the Year Ended September 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE AND SUPPORT				
Grants and contributions:				
United States government	$ 1,788,256	$ -	$ 1,788,256	$ 2,373,220
Private foundations and corporations	37,548	5,229,793	5,267,341	4,114,608
Individuals	210,642	65,827	276,469	364,389
Government - employee retention credit	154,301	-	154,301	-
Contracts	475,101	-	475,101	228,766
Registrations	-	-	-	10,292
Investment income	10,924	31	10,955	39,116
Other income	97,860	-	97,860	3,064
Net assets released from restrictions:				
Satisfaction of time restrictions	50,000	(50,000)	-	-
Satisfaction of purpose restrictions	5,456,911	(5,456,911)	-	-
TOTAL REVENUE AND SUPPORT	8,281,543	(211,260)	8,070,283	7,133,455
EXPENSES				
Program Services:				
Asia	3,485,107	-	3,485,107	2,526,080
U.S. programs	2,964,717	-	2,964,717	3,573,628
Special programs	-	-	-	206,407
Total Program Services	6,449,824	-	6,449,824	6,306,115
Supporting Services:				
Administration	1,964,533	-	1,964,533	1,624,988
Fundraising	236,190	-	236,190	207,369
Total Supporting Services	2,200,723	-	2,200,723	1,832,357
TOTAL EXPENSES	8,650,547	-	8,650,547	8,138,472
Change in Net Assets From Operations	(369,004)	(211,260)	(580,264)	(1,005,017)
OTHER ACTIVITIES				
Forgiveness of PPP loan	466,579	-	466,579	-
Loss on grants and contributions receivable	-	(303,548)	(303,548)	-
CHANGE IN NET ASSETS	97,575	(514,808)	(417,233)	(1,005,017)
NET ASSETS, BEGINNING OF YEAR	1,102,964	5,705,739	6,808,703	7,813,720
NET ASSETS, END OF YEAR	$ 1,200,539	$ 5,190,931	$ 6,391,470	$ 6,808,703

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, 2021
(With Summarized Financial Information for the Year Ended September 30, 2020)

	Program Services			Supporting Services				
	Asia	U.S. Programs	Total Program Services	Administration	Fundraising	Total Supporting Services	2021 Total	2020 Total
Salaries	$ 867,881	$ 895,825	$ 1,763,706	$ 994,594	$ 151,241	$ 1,145,835	$ 2,909,541	$ 3,305,126
Subgrants	1,323,075	1,187,565	2,510,640	-	-	-	2,510,640	1,914,043
Consultants	790,936	375,195	1,166,131	270,136	32,838	302,974	1,469,105	932,690
Personnel benefits	143,961	250,155	394,116	259,468	38,088	297,556	691,672	830,136
Occupancy	138,914	-	138,914	85,744	-	85,744	224,658	364,982
Staff recruitment and development	44,936	17,589	62,525	159,771	949	160,720	223,245	73,554
Program trainings and conventions	35,842	170,179	206,021	1,932	-	1,932	207,953	250,903
Professional services	49,290	23,877	73,167	55,856	1,639	57,495	130,662	115,512
Supplies and equipment	37,089	29,742	66,831	32,062	10,442	42,504	109,335	73,831
Office operations	5,380	6,185	11,565	60,774	888	61,662	73,227	79,774
Travel	47,803	8,405	56,208	1,061	105	1,166	57,374	147,157
Depreciation and amortization	-	-	-	43,135	-	43,135	43,135	49,864
Bad debts	-	-	-	-	-	-	-	900
TOTAL EXPENSES	$ 3,485,107	$ 2,964,717	$ 6,449,824	$ 1,964,533	$ 236,190	$ 2,200,723	$ 8,650,547	$ 8,138,472

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, 2021
(With Summarized Financial Information for the Year Ended September 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (417,233)	$ (1,005,017)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	43,135	49,864
Realized and unrealized gain on investments	(2,481)	(1,469)
Forgiveness of PPP loan	(466,579)	-
Changes in assets and liabilities:		
Grants and contributions receivable	363,298	462,598
Due from the United States government - awards	30,304	(192,683)
Due from the United States government for - employee retention credit	(154,301)	-
Accounts receivable	2,055	(14,203)
Prepaid expenses and advances	(9,077)	(19,807)
Security deposits	1,564	8,030
Accounts payable and accrued liabilities	61,179	(235,155)
Accrued salaries and related benefits	(73,644)	(32,158)
Refundable advances	28,529	(88,504)
NET CASH USED IN OPERATING ACTIVITIES	(593,251)	(1,068,504)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(2,522)	(38,239)
Purchases of investments	(778,844)	(819,241)
Sales and maturities of investments	807,155	1,269,255
NET CASH PROVIDED BY INVESTING ACTIVITIES	25,789	411,775
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	472,725	466,579
NET CASH PROVIDED BY FINANCING ACTIVITIES	472,725	466,579
NET DECREASE IN CASH AND CASH EQUIVALENTS	(94,737)	(190,150)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,722,816	2,912,966
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,628,079	$ 2,722,816
NONCASH FINANCING TRANSACTION		
Forgiveness of PPP loan	$ 466,579	$ -

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.

Under the leadership of Deeohn Ferris, who became ISC's President in 2020, ISC has increased its focus on equity centered, locally-led sustainability solutions, building on the 30 year legacy of the organization's founder, former Vermont Governor Madeleine M. Kunin. ISC continues to lead transformative community-driven projects in the United States and South and Southeast Asia. ISC is recognized for connecting community driven initiatives with environmental problem solving expertise. Over the years, ISC has developed an approach that accelerates a community's ability to meet challenges head-on and help shape a healthier, more sustainable world, shaped and shared by all.

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 of ISC located in India. ISC established OSC to develop the Environment, Health and Safety Center in Pune, India. During the year ended September 30, 2021, OSC became inactive when the Mahindra grant was completed.

The Sustainable Communities India Pvt. Ltd. (SCI) is a wholly owned and controlled subsidiary of ISC located in India. ISC established SCI to support its work in India.

ISC achieves its mission through the following programs:

Asia:

Building off of 15 years of extensive urban de-carbonization work in 30 Chinese cities, ISC launched the China Deep De-carbonization and Equitable Long-term Strategies Alliance (China DELTA) in 2020 with funding from the Swedish Postcode Foundation. China DELTA is an 18-month project to dramatically reduce global climate emissions and the scale of global climate disruption in the Changsha, Guangzhou, and Tianjin cities in China. ISC estimates that with the successful implementation of China DELTA, Changsha and Tianjin will be on course to avert 1 billion cumulative metric tons of CO_2 equivalent by 2060.

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

<u>Organization (continued)</u>

Asia (continued):

ISC's Mekong Sustainable Manufacturing Alliance (MSMA), a $10 million project in partnership with the U.S. Agency for International Development (USAID), the European Climate Foundation, and ELEVATE, a sustainable supply chain service provider, launched at the end of 2020 and is now in its second year of operations. MSMA's objective is to advance sustainable manufacturing practices in Thailand, Vietnam, and Cambodia. The alliance is working closely with leading global brands and to increase adoption of Environmental and Social Governance (ESG) standards by manufacturers and suppliers in the region.

ISC launched the Energy Efficiency Alliance for Industry project in 2019, with funding from Partnering for Green Growth and the Global Goals 2030 (P4G). The program is aimed at accelerating the adoption of industrial energy efficiency in Asia through innovative business models. Reinventing existing ESCO and Demand Aggregation based models, the project tackled critical challenges to the on-ground adoption of energy efficient technologies. It implemented a wide range of interventions including unique financing mechanisms, technical assistance, capacity-building activities, and policy-related initiatives.

ISC initiated the Sustainable Cotton Accelerator Project in 2020, with support from HSBC and in partnership with WWF. The initiative works with 250,000+ small holder and women farmers in Maharashtra in rural communities to become more resilient to climate and water related disruptions. Our cutting edge research, has helped map future climate related risks to cotton production in Maharashtra

In the same year, ISC expanded upon its USAID funded EHS+ center program to launch the Maharashtra Clean Air Accelerator program. The program brings in key municipal corporations together, supporting the implementation of city action plans. Apart from action planning, training and capacity building measures, ISC also leverages its industry engagement and clean tech adoption work to realize co-benefits on air pollution reduction.

Beginning in 2020, with financial support from the Laudes Foundation, ISC partnered with WRI and Wageningen University & Research to advance investigation of using of agricultural waste for sustainable fiber production. The project culminated in the publication of "Spinning Future Threads", a study that examines agricultural hubs across eight countries in South and South East Asia, multiple technologies and innovators, and assesses preliminary feasibility for apparel brands and manufacturers of the technology.

In 2020 and 2021, ISC expanded upon its Women + Water Alliance (jointly-funded by GAP Inc. and USAID) to re-inforce the interlinkages between climate, cotton, and water and established roadmaps to foster greater upstream textile supplier sustainability. The project also supported women entrepreneurs and trained a cohort in the production and use bio-fertilizers and bio-pesticides

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

Organization (continued)

Asia (continued):

In 2021, with financial support from the ClimateWorks Foundation, ISC launched the Sustainable Livelihoods Manufacturing Program to strengthen the connection between the adoption of clean tech adoption in factories and new green jobs and livelihood opportunities. ISC engaged with key manufacturing clusters, vocational technical institutes, and skilling experts to roll out a combination of capacity building, apprenticeship, and factory engagement programs.

ISC launched the Accelerating Clean, Equitable Manufacturing project in India in 2021 with funding from the MacArthur Foundation. The objective of the program is to reduce the carbon footprint of Micro, Small, and Medium Enterprises (MSMEs) by ensuring the adoption of clean energy while also promoting gender equity. The target industries for this project are chemicals, textiles, and automobiles.

U.S. Programs:

The Partnership for Resilient Communities (PRC), originally launched in 2019 with financial support from the JPB Foundation, is helping to transform the national urban climate resilience field. PRC is building the capacity of 10 Black and Brown led community based organizations (CBOs) to develop green infrastructure using clean and renewable energy (like solar) to strengthen their community's capability to be less impacted by and recover from extreme weather events and natural disasters exacerbated by climate change. ISC is providing infrastructure to each participating organization in this intensive capacity-building program in the form of technical assistance and grant funding. The program has created a nationwide network that builds influence for people of color led CBOs while improving the design and implementation of locally led climate solutions, policy approaches, and community education and engagement efforts.

In May 2020, ISC became the National Program Office for the Robert Wood Johnson Foundation's Health and Climate Solutions (HCS) Initiative. The HCS Initiative funds 7 grantees working on projects to achieve three goals: create opportunities for better health, advance health equity, and focus on climate adaptation or mitigation. ISC provides equity centered technical assistance and capacity building to the grantees.

Throughout 2021, ISC continued to help communities and cities increase their resilience through community-driven efforts led by local leaders. In Texas, the Upper Texas Regional Resilience Initiate, also funded by the JPB Foundation, established goals to provide education and technical training to community leaders to support leadership and advocacy skill sets. These initiatives included climate justice training for 277 participants and a 12-session Community Environmental Leadership Program for 33 community leaders offered by Texas Southern University and accredited by the Southern Association of Colleges and Schools.

Additionally, our Climate Change Health and Equity program, a multi-year initiative supported by the Kresge Foundation since 2018, strengthened leadership among community-based advocates, public health practitioners, hospitals, health care systems and other institutions to accelerate planning and implementation of work that advances climate resilience and reduces health risks while placing equity at the center.

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

Organization (continued)

U.S. Programs (continued):

As the longest standing US program, ISC continues to provide backbone support for the Southeast Florida Regional Climate Change Compact (Compact), a partnership between Broward, Miami-Dade, Palm Beach, and Monroe Counties, to work collaboratively to reduce regional greenhouse gas emissions, implement adaptation strategies, and build climate resilience across the Southeast Florida region. In 2021, ISC continued to support the Compact through secretariat functions via scheduling, planning, and facilitation of monthly meetings, three workshops related to climate equity, vulnerability assessments, and extreme heat. In addition, ISC supported the success of the 13th Annual Virtual Summit. Lastly, ISC supported the update of the Compact's climate indicators resource and launched the Compact Climate Assessment Tool (CCAT) across the region.

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 effective control. All 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.

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 $1,807 loss from foreign currency transactions for the year ended September 30, 2021.

Investments

Investments consist of certificates of deposit due to mature at various times through May 2022. 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.

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

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, 2021, only the Organization's investments, as described in Note 5 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 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 operations.

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 $998,048 of net assets without donor restrictions to serve as an operational and fundraising reserve to support strategic initiatives of the Organization.

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

Classification of Net Assets (continued)

- 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

Unconditional grants and contributions are recognized as revenue and support in the accounting period in which they are received or when an unconditional promise to give is made. Unconditional contributions are considered available for general expenditure unless specifically restricted by a donor. Amounts that are designated for future periods or restricted by the donor for a specific purpose are reported as grants and contributions with donor restrictions in the accompanying statement of activities. When a donor 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 released from restriction. Unconditional grants and contributions that have been committed to the Organization, but have not been received as of year-end, are reflected as grants and contributions receivable in the accompanying consolidated statement of financial position. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at their present value using appropriate discount rates. Amortization of the discount is recorded as additional contribution or grant revenue and is used in accordance with donor-imposed restrictions, if any, on the contributions or grants. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Government grants are conditioned upon certain performance requirements and are recognized as the conditions have been met. Revenue recognized on government grants for which billings have not been presented to or collected from the awarding agency is included in due from the United States government in the accompanying consolidated statement of financial position. Amounts received in advance of conditions being met are recorded as refundable advances in the accompanying consolidated statements of financial position. Amounts earned and released within the same year under conditional awards are reported as increases in net assets without donor restrictions in the accompanying consolidated statements of activities. The expenditures under these grants are subject to review by the granting authority.

Program service revenue represents revenue earned on contracts in which the Organization is hired to perform a specific service. Program service revenue is recognized based on when the deliverables associated with the contract terms have been met.

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

Revenue Recognition (continued)

Paycheck Protection Program (PPP) loan forgiveness was recognized as revenue in the period the loan was forgiven by the Small Business Association (SBA). The Employee Retention Tax Credit (ERTC) is considered a conditional grant and was recognized when the Organization met the conditions for receiving the credit set by the federal government and recognized in the quarters when the Organization was eligible to receive it.

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. Unconditional research grants are expensed in the year in which the grant commitment is made to the grantee. Grant amounts not transferred in the year in which the grant commitments are made are recorded as grants payable in the accompanying consolidated statement of financial position. Conditional grants, that is, those with a measureable performance or other barrier, and a right of return, are not included as expenses until such time as the conditions on which they depend are substantially met.

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.

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 Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange for both contributions received and made. The Organization adopted ASU 2018-08 as of October 1, 2020, for contributions made and has applied the amendments of this standard on a modified prospective basis and elected to apply the standards only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements. The provisions of the standard that apply to contributions received by the Organization was implemented as of October 1, 2019.

2. Grants and Contributions Receivable

As of September 30, 2021, the Organization's grants and contributions receivable were due to be received as follows:

Less than one year	$ 2,238,132
One to five years	400,000
Total Grants and Contributions Receivable	2,638,132
Less: Discount Component	(27,233)
Grants and Contributions Receivable, Net	$ 2,610,899

The discount rate used to calculate the discount component was approximately 7% for the year ended September 30, 2021. All amounts were considered fully collectible.

3. Due from the United States Government

As of September 30, 2021, the Organization was owed $434,874 from USAID, an agency of the United States government, which was due in less than one year and was considered fully collectible.

Subsequent to year end the Organization applied for the Employee Retention Credit (ERTC). The ERTC was first established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and was extended and expanded by the Consolidated Appropriations Act and the American Rescue Plan. ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first $10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first $10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and September 30, 2021 (2021 ERTC). To be eligible, the Organization must meet certain conditions as described in applicable laws and regulations.

The Organization has determined that it qualifies for the 2021 ERTC, and therefore, is accounting for it as conditional grants under FASB ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of September 30, 2021, and therefore, the entire amount of $154,301 that the Organization expects to receive in included in due from the United States government – employee retention credit in the accompanying consolidated statement of financial position. Eligibility for the credit and the credit calculations are subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of the Organization as of September 30, 2021, and on the changes in its net assets for the year then ended.

4. Conditional Contributions

During the year ended September 30, 2021, the Organization had conditional grants totaling approximately $11,784,000, which require certain milestones and/or the incurrence of other conditions to be met prior to revenue recognition. During the year ended September 30, 2021, the Organization recognized $2,182,793, under these awards. As of September 30, 2021, the Organization had not yet recognized $1,398,899, under these awards as associated milestones had not yet been met. Of the amount not yet recognized as of September 30, 2021, $88,463 was paid to the Organization in advance and is included in refundable advances in the accompanying consolidated statement of financial position.

5. Investments

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of September 30, 2021, 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	$ 1,299,974	$ -	$ 1,299,974	$ -
Total Investments:	$ 1,299,974	$ -	$ 1,299,974	$ -

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.

6. Fixed Assets and Related Depreciation and Amortization

The Organization held the following fixed assets as of September 30, 2021:

Computer equipment	$ 447,297
Furniture	340,650
Leasehold improvements	75,663
Intangible assets	32,650
Total Fixed Assets	896,260
Less: Accumulated Depreciation and Amortization	(857,444)
Fixed Assets, Net	$ 38,816

Depreciation and amortization expense was $43,135 for the year ended September 30, 2021.

7. Line of Credit

On April 3, 2020, 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, 2021, there was no balance drawn on the line of credit.

8. Paycheck Protection Program Loan Payable

During the year ended September 30, 2020, the Organization entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) in the amount of $466,579. The Organization applied for forgiveness of the PPP loan, and on February 24, 2021, received approval of the PPP loan forgiveness request. As a result, the Organization recognized the forgiveness of the loan in the amount of $466,579 in the accompanying consolidated statement of activities.

On January 28, 2021, the Organization applied for and was approved for a second PPP loan in the amount of $472,725. The loan will mature on January 28, 2026, with a fixed interest rate of 1% per annum. The loan amounts were eligible for forgiveness, pursuant to provisions of the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder used for mortgage interest, rent and utility costs over a specified period of time after the loan is made and the number of employees and compensation levels are maintained. The Organization applied for forgiveness of the second PPP loan, and on December 7, 2021, received approval of the PPP loan forgiveness request at the full amount.

9. 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. As of September 30, 2021, the Organization's net assets without donor restrictions were as follows:

Undesignated	$ 202,491
Board-designated – operating reserve	998,048
Total Net Assets Without Donor Restrictions	$ 1,200,539

The board-designated net assets for an operating reserve were instituted to provide funding for various strategic initiatives of the Organization.

Net Assets With Donor Restrictions

As of September 30, 2021, net assets with donor restrictions were restricted for the following purposes:

US Climate Program Activities	$ 3,402,564
Urban programs	955,937
Climate Innovation Fund	473,903
Equitable program	221,766
Environmental, Health, and Safety Academy	78,669
Resilient Manufacturing Communities in India	47,476
Southeast Florida Regional Climate Change Compact	8,431
Mekong Sustainable Manufacturing Alliance	2,185
Total Net Assets With Donor Restrictions	$ 5,190,931

10. Commitments, Contingencies and Risks

Operating Leases

On July 1, 2020, the Organization entered into a lease agreement for its headquarters office in Montpelier, Vermont, for the period July 1, 2020, through June 30, 2024. Under the agreement, the first year's base rent is $40,200 and then increases by 1.5% on each subsequent anniversary of the commencement date. Under an early termination clause to the agreement, beginning on July 1, 2022, the lease is cancelable with 120 days' notice.

Future minimum lease payments required under noncanceleable leases are as follows:

For the Year Ending September 30,	
2022	$ 30,602
Total	$ 30,602

10. Commitments, Contingencies and Risks (continued)

Operating Leases (continued)

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 was modified on December 10, 2020 to extend the term of the lease through March 2021 and was not renewed.

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 $81,270 for the year ended September 30, 2021.

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, 2021, the Organization had foreign cash totaling approximately $156,000. 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, 2021, the Organization's cash and cash equivalents balance and certificates of deposit held at various institutions totaled approximately $3,828,000. Of this amount, approximately $1,673,000 was guaranteed by the Federal Deposit Insurance Corporation. The approximately $2,155,000 remaining was uninsured as of September 30, 2021. 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.

Risk and Uncertainty

The Coronavirus Disease 2019 (COVID-19) outbreak has caused business disruption through mandated and voluntary closings of businesses across the globe for non-essential services and widespread economic impact. 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 operations in a remote environment; however, at this point, the extent to which COVID-19 will impact the Organization's financial condition or results of operations is uncertain and being evaluated by management and the Board.

10. Commitments, Contingencies and Risks (continued)

Major Grantors

Approximately 58% of the Organization's revenue and support for the year ended September 30, 2021, was derived from grants and contributions from four donors. Additionally, the Organization was owed approximately $1,789,000 from four donors, which accounted for 56% of the Organization's receivables as of September 30, 2021. Management of the Organization does not believe that its relationship with these donors will be discontinued in the foreseeable future.

11. 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, 2021, were as follows:

Cash and cash equivalents	$ 2,628,079
Grants and contributions receivable, current	2,210,899
Due from United States government - awards	434,874
Due from United States government – ERTC	154,301
Accounts receivable	134,747
Investments	1,299,974
Total Financial Assets Available as of September 30, 2021	6,862,874
Less:	
Amounts unavailable for general expenditures within one year due to donors' restriction with purpose restriction	(4,790,931)
Amounts unavailable to management without Board approval: Board-designated for working capital and fundraising reserves	(998,048)
Financial Assets Available to Meet General Expenditures Within One Year	$ 1,073,895

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, 2021. The Organization's 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.

12. 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 $141,867 for the year ended September 30, 2021.

13. 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 ISC 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, 2021, 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, 2021, 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, 2021, there are no audits for any tax periods pending or 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 expense. As of September 30, 2021, the Organization had no accruals for interest and/or penalties.

During 2021, the Income Tax Department of India (Tax Department) notified OSC of a tax assessment for previous years. OSC is currently appealing the assessed tax with the Tax Department. Given the uncertainty regarding the outcome of the requested appeal, no accrual for this loss contingency has been recorded in the accompanying consolidated statement of financial position.

14. 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, 2020, from which the summarized information was derived.

15. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 23, 2022, the date the consolidated financial statements were available to be issued. Except for the matter in Note 3 regarding the ERTC and Note 8 regarding the forgiveness of the second PPP loan, there were no subsequent events that require recognition or disclosure in these consolidated financial statements.