INSTITUTE FOR SUSTAINABLE COMMUNITIES, AFFILIATE AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended September 30, 2020
(With Summarized Financial Information for the Year Ended September 30, 2019)

and
Report Thereon

INSTITUTE FOR SUSTAINABLE COMMUNITIES,
AFFILIATE AND SUBSIDIARIES

TABLE OF CONTENTS
For the Year Ended September 30, 2020

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, 2020, 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

Marcum LLP ▪ 1899 L Street, NW ▪ Suite 850 ▪ Washington, DC 20036 ▪ **Phone** 202.227.4000 ▪ **Fax** 202.227.4001 ▪ **www.marcumllp.com**

Opinion

In our opinion, the 2020 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, 2020, 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, 2019 consolidated financial statements, and in our report dated April 3, 2020, 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, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

Washington, DC
April 29, 2021

INSTITUTE FOR SUSTAINABLE COMMUNITIES,
AFFILIATE AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2020
(With Summarized Financial Information as of September 30, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 2,722,816	$ 2,912,966
Grants and contributions receivable, net	2,974,197	3,436,795
Due from the United States government	465,178	272,495
Accounts receivable	136,802	122,599
Prepaid expenses and advances	145,148	125,341
Investments	1,325,804	1,774,349
Fixed assets, net	79,429	91,054
Security deposits	8,701	16,731
TOTAL ASSETS	$ 7,858,075	$ 8,752,330
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 349,499	$ 584,654
Accrued salaries and related benefits	173,360	205,518
Refundable advances	59,934	148,438
Paycheck Protection Program loan payable	466,579	-
TOTAL LIABILITIES	1,049,372	938,610
Net Assets		
Without donor restrictions	1,102,964	1,601,491
With donor restrictions	5,705,739	6,212,229
TOTAL NET ASSETS	6,808,703	7,813,720
TOTAL LIABILITIES AND NET ASSETS	$ 7,858,075	$ 8,752,330

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

INSTITUTE FOR SUSTAINABLE COMMUNITIES,
AFFILIATE AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
September 30, 2020
(With Summarized Financial Information for the Year Ended September 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUE AND SUPPORT				
Grants and contributions:				
United States government	$ 2,373,220	$ -	$ 2,373,220	$ 2,781,948
Private foundations and corporations	76,426	4,038,182	4,114,608	6,100,000
Individuals	364,389	-	364,389	364,288
Contracts	228,766	-	228,766	281,250
Registrations	10,292	-	10,292	2,314
Investment income	37,778	1,338	39,116	46,116
Other income	3,064	-	3,064	8,431
Net assets released from restrictions:				
Satisfaction of time restrictions	50,000	(50,000)	-	-
Satisfaction of purpose restrictions	4,496,010	(4,496,010)	-	-
TOTAL REVENUE AND SUPPORT	7,639,945	(506,490)	7,133,455	9,584,347
EXPENSES				
Program Services:				
Asia	2,526,080	-	2,526,080	3,012,785
U.S. programs	3,573,628	-	3,573,628	2,817,218
Special programs	206,407	-	206,407	55,564
Total Program Services	6,306,115	-	6,306,115	5,885,567
Supporting Services:				
Administration	1,624,988	-	1,624,988	1,604,207
Fundraising	207,369	-	207,369	184,619
Total Supporting Services	1,832,357	-	1,832,357	1,788,826
TOTAL EXPENSES	8,138,472	-	8,138,472	7,674,393
CHANGE IN NET ASSETS	(498,527)	(506,490)	(1,005,017)	1,909,954
NET ASSETS, BEGINNING OF YEAR	1,601,491	6,212,229	7,813,720	5,903,766
NET ASSETS, END OF YEAR	$ 1,102,964	$ 5,705,739	$ 6,808,703	$ 7,813,720

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, 2020
(With Summarized Financial Information for the Year Ended September 30, 2019)

	Program Services				Supporting Services				
	Asia	U.S. Programs	Special Programs	Total Program Services	Administration	Fundraising	Total Supporting Services	2020 Total	2019 Total
Salaries	$ 1,072,655	$ 1,103,770	$ 46,102	$ 2,222,527	$ 934,325	$ 148,274	$ 1,082,599	$ 3,305,126	$ 3,310,606
Subgrants	198,102	1,715,941	-	1,914,043	-	-	-	1,914,043	1,122,619
Consultants	557,482	153,653	144,955	856,090	73,210	3,390	76,600	932,690	1,055,875
Personnel benefits	235,722	293,448	11,163	540,333	253,299	36,504	289,803	830,136	841,644
Occupancy	256,326	-	-	256,326	108,656	-	108,656	364,982	371,640
Travel	86,907	23,906	2,193	113,006	26,362	7,789	34,151	147,157	366,582
Program trainings and conventions	28,420	218,992	-	247,412	3,351	140	3,491	250,903	176,348
Office operations	26,040	4,512	76	30,628	47,455	1,691	49,146	79,774	118,628
Professional services	41,201	25,936	968	68,105	45,962	1,445	47,407	115,512	115,163
Supplies and equipment	12,530	28,210	-	40,740	25,935	7,156	33,091	73,831	78,914
Staff recruitment and development	10,695	5,260	50	16,005	56,569	980	57,549	73,554	59,882
Depreciation and amortization	-	-	-	-	49,864	-	49,864	49,864	44,271
Bad debt expense	-	-	900	900	-	-	-	900	12,221
TOTAL EXPENSES	$ 2,526,080	$ 3,573,628	$ 206,407	$ 6,306,115	$ 1,624,988	$ 207,369	$ 1,832,357	$ 8,138,472	$ 7,674,393

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, 2020
(With Summarized Financial Information for the Year Ended September 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,005,017)	$ 1,909,954
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	49,864	44,271
Realized and unrealized gain on investments	(1,469)	(300)
Changes in assets and liabilities:		
Grants and contributions receivable	462,598	(2,182,524)
Due from the United States government	(192,683)	434,569
Accounts receivable	(14,203)	52,155
Prepaid expenses and advances	(19,807)	134,719
Security deposits	8,030	6,287
Accounts payable and accrued liabilities	(235,155)	142,530
Accrued salaries and related benefits	(32,158)	36,979
Refundable advances	(88,504)	51,654
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(1,068,504)	630,294
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(38,239)	(35,088)
Purchases of investments	(819,241)	(1,785,370)
Sales and maturities of investments	1,269,255	1,241,047
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	411,775	(579,411)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	466,579	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	466,579	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(190,150)	50,883
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,912,966	2,862,083
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,722,816	$ 2,912,966

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

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

Organization (continued)

Asia (continued):

among local leaders in China, Asia and the U.S. The program ended successfully in July of 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 is also accelerating 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, in 2019 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,

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 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.

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 no gain or loss from foreign currency transactions for the year ended September 30, 2020.

Investments

Investments consist of certificates of deposit due to mature in 2020 and 2021. 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, 2020, 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

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 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 $1,090,679 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

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. 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. 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 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.

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

Revenue Recognition (continued)

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 substantially met.

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 when the conditions in the award have been met. 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 Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606).* Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards

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

New Accounting Pronouncements (continued)

Codification 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASU 2014-09 and related amendments on October 1, 2019 using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, subject to other guidance, and determining whether a contribution is conditional. The Organization adopted the provisions of ASU 2018-08 related to contributions received on October 1, 2019, using the modified prospective basis and the adoption of the standard did not result in a material change to the financial statements or the timing of revenue recognition for the Organization's grants and contributions. The Organization has elected to defer the adoption of ASU 2018-08 related to contributions made until October 1, 2020 which is permissible under the standard.

2. Grants and Contributions Receivable

As of September 30, 2020, the Organization was owed $2,974,197 for unconditional grants and contributions, which were all due in less than one year and was considered fully collectible.

3. Due from the United States Government

As of September 30, 2020, the Organization was owed $465,178 from USAID, an agency of the United States government, which was due in less than one year and was considered fully collectible.

4. Conditional Contributions

During the year ended September 30, 2020, the Organization had conditional grants totaling approximately $8,964,000, which require certain milestones and/or the incurrence of other conditions to be met prior to revenue recognition. During the year ended September 30, 2020, the Organization recognized $2,566,201, under these awards. As of September 30, 2020, the Organization had not yet recognized $550,073, under these awards as associated milestones

4. Conditional Contributions (continued)

had not yet been met. Of the amount not yet recognized as of September 30, 2020, $59,934 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, 2020, 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	$ 1,325,804	$ -	$ 1,325,804	$ -
Total Investments:	$ 1,325,804	$ -	$ 1,325,804	$ -

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, 2020:

Computer equipment	$ 444,775
Furniture	340,650
Leasehold improvements	75,663
Intangible assets	32,650
Total Fixed Assets	893,738
Less: Accumulated Depreciation and Amortization	(814,309)
Fixed Assets, Net	$ 79,429

Depreciation and amortization expense was $49,864 for the year ended September 30, 2020.

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, 2020, there was no balance drawn on the line of credit.

8. Paycheck Protection Program Loan Payable

On April 17, 2020, the Organization entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of $466,579. The loan will mature on April 17, 2022, with a fixed interest rate of 1% per annum. The loan amount may be eligible for forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder could be 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 PPP loan, and on February 24, 2021, received notification that the PPP loan was entirely forgiven.

On January 28, 2021, the Organization obtained a second PPP loan for the amount of $472,725. This loan follows the same terms described above, will mature on October 28, 2026 and is eligible for forgiveness pursuant to the PPP.

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 and a fundraising reserve. As of September 30, 2020, the Organization's net assets without donor restrictions were as follows:

Undesignated	$ 12,285
Board-designated – operating reserve	998,048
Board-designated – fundraising reserve	92,631
Total Net Assets Without Donor Restrictions	$ 1,102,964

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.

9. Net Assets (continued)

Net Assets With Donor Restrictions

As of September 30, 2020, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:	
US Climate Program Activities	$ 4,103,784
Environmental, Health, and Safety Academy	949,343
Climate Innovation Fund	421,394
Mekong Sustainable Manufacturing Alliance	99,981
Resilient Manufacturing Communities in India	53,584
Southeast Florida Regional Climate Change Compact	27,653
Total Subject to Expenditure for Specified Purpose	5,655,739
Subject to passage of time:	50,000
Total Net Assets With Donor Restrictions	$ 5,705,739

10. Commitments, Contingencies and Risks

Operating Leases

On July 1, 2020, the Organization entered into a noncancelable 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 the 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,	
2021	$ 40,351
2022	30,602
Total	$ 70,953

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.

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 $176,455 for the year ended September 30, 2020.

10. 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, 2020, the Organization had foreign cash totaling approximately $191,000. 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, 2020, the Organization's cash and cash equivalents balance and certificates of deposit held at various institutions totaled approximately $3,857,000. Of this amount, approximately $1,704,000 was guaranteed by the Federal Deposit Insurance Corporation. The approximately $2,153,000 remaining was uninsured as of September 30, 2020. 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.

Major Grantors

Approximately 76% of the Organization's revenue and support for the year ended September 30, 2020, was derived from grants and contributions from four donors. Additionally, the Organization was owed approximately $3,074,000 from four donors, which accounted for 89% of the Organization's receivables as of September 30, 2020. 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, 2020, were as follows:

Cash and cash equivalents	$ 2,722,816
Grants and contributions receivable, current	2,974,197
Due from United States government	465,178
Accounts receivable	136,802
Investments	1,325,804
Total Financial Assets Available as of September 30, 2020	7,624,797
Less:	
Amounts unavailable for general expenditures within one year due to donors' restriction with purpose restriction	(5,655,739)
Amounts unavailable to management without Board approval: Board-designated for working capital and fundraising reserves	(1,090,679)
Financial Assets Available to Meet General Expenditures Within One Year	$ 878,379

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, 2020. 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 $147,976 for the year ended September 30, 2020.

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 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, 2020, 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, 2020, 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, 2020, 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, 2020, the Organization had no accruals for interest and/or penalties.

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, 2019, 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 April 29, 2021, the date the consolidated financial statements were available to be issued. Subsequent to the year ended September 30, 2020, 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. Except for the preceding matter and the matter in Note 8 regarding the forgiveness of the PPP loan and obtaining a second PPP loan, there were no subsequent events that require recognition or disclosure in these consolidated financial statements.