INSTITUTE FOR SUSTAINABLE COMMUNITIES, AFFILIATE AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended September 30, 2023
(With Summarized Financial Information for the Year Ended September 30, 2022)

and
Report Thereon

INSTITUTE FOR SUSTAINABLE COMMUNITIES,
AFFILIATE AND SUBSIDIARIES

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For the Year Ended September 30, 2023

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the 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, 2023, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Marcum LLP / 1899 L Street, NW / Suite 850 / Washington, DC 20036 / **Phone** 202.227.4000 / **marcumllp.com**

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

Washington, DC
June 6, 2024

INSTITUTE FOR SUSTAINABLE COMMUNITIES,
AFFILIATE AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2023
(With Summarized Financial Information as of September 30, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 1,965,834	$ 2,800,588
Grants and contributions receivable, net	1,615,000	6,639,703
Due from the United States government - awards	519,307	453,564
Due from the United States government - employee retention credit	-	154,301
Accounts receivable	124,691	329,686
Prepaid expenses and advances	81,188	61,138
Investments	2,843,486	2,749,303
Fixed assets, net	38,015	26,971
Security deposits	4,373	6,621
TOTAL ASSETS	$ 7,191,894	$ 13,221,875
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 325,107	$ 676,073
Accrued salaries and related benefits	252,045	356,869
TOTAL LIABILITIES	577,152	1,032,942
Net Assets		
Without donor restrictions	575,814	1,378,331
With donor restrictions	6,038,928	10,810,602
TOTAL NET ASSETS	6,614,742	12,188,933
TOTAL LIABILITIES AND NET ASSETS	$ 7,191,894	$ 13,221,875

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, 2023
(With Summarized Financial Information for the Year Ended September 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
REVENUE AND SUPPORT				
Grants and contributions:				
Private foundations and corporations	$ 23,504	$ 938,519	$ 962,023	$ 10,770,123
United States government	1,693,395	-	1,693,395	1,720,551
Individuals	218,705	-	218,705	174,462
Contracts	433,250	-	433,250	774,431
Investment income (loss)	156,213	-	156,213	(7,098)
Other income	26,763	-	26,763	-
Net assets released from restrictions:				
Satisfaction of purpose restrictions	5,710,193	(5,710,193)	-	-
TOTAL REVENUE AND SUPPORT	8,262,023	(4,771,674)	3,490,349	13,432,469
EXPENSES				
Program Services:				
Asia	2,028,462	-	2,028,462	2,920,321
U.S. programs	4,105,526	-	4,105,526	2,478,245
Total Program Services	6,133,988	-	6,133,988	5,398,566
Supporting Services:				
Administration	2,690,658	-	2,690,658	2,434,536
Fundraising	239,894	-	239,894	274,629
Total Supporting Services	2,930,552	-	2,930,552	2,709,165
TOTAL EXPENSES	9,064,540	-	9,064,540	8,107,731
Change in Net Assets From Operations	(802,517)	(4,771,674)	(5,574,191)	5,324,738
OTHER ACTIVITIES				
Forgiveness of PPP loan	-	-	-	472,725
CHANGE IN NET ASSETS	(802,517)	(4,771,674)	(5,574,191)	5,797,463
NET ASSETS, BEGINNING OF YEAR	1,378,331	10,810,602	12,188,933	6,391,470
NET ASSETS, END OF YEAR	$ 575,814	$ 6,038,928	$ 6,614,742	$ 12,188,933

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, 2023
(With Summarized Financial Information for the Year Ended September 30, 2022)

	Program Services			Supporting Services				
	Asia	U.S. Programs	Total Program Services	Administration	Fundraising	Total Supporting Services	2023 Total	2022 Total
Salaries	$ 506,223	$ 1,010,137	$ 1,516,360	$ 1,288,142	$ 149,204	$ 1,437,346	$ 2,953,706	$ 3,350,371
Subgrants	507,465	1,997,500	2,504,965	-	-	-	2,504,965	1,083,421
Consultants	653,703	496,950	1,150,653	371,644	-	371,644	1,522,297	1,433,297
Personnel benefits	103,371	271,247	374,618	340,481	39,603	380,084	754,702	850,599
Program trainings and conventions	102,937	146,991	249,928	35,711	1,066	36,777	286,705	360,457
Travel	51,239	71,095	122,334	113,200	10,829	124,029	246,363	209,244
Professional services	32,828	42,144	74,972	149,749	3,320	153,069	228,041	253,985
Staff recruitment and development	18,374	2,318	20,692	161,331	3,272	164,603	185,295	62,738
Office operations	12,968	46,830	59,798	66,619	17,214	83,833	143,631	152,494
Supplies and equipment	3,082	15,024	18,106	106,706	15,158	121,864	139,970	124,411
Occupancy	36,272	5,290	41,562	37,294	-	37,294	78,856	203,086
Depreciation and amortization	-	-	-	19,781	228	20,009	20,009	23,628
TOTAL EXPENSES	$ 2,028,462	$ 4,105,526	$ 6,133,988	$ 2,690,658	$ 239,894	$ 2,930,552	$ 9,064,540	$ 8,107,731

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, 2023
(With Summarized Financial Information for the Year Ended September 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (5,574,191)	$ 5,797,463
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	20,009	23,628
Realized and unrealized (gain) loss on investments	(8,959)	14,669
Forgiveness of PPP loan	-	(472,725)
Changes in assets and liabilities:		
Grants and contributions receivable	5,024,703	(4,028,804)
Due from the United States government - awards	(65,743)	(18,690)
Due from the United States government for - employee retention credit	154,301	-
Accounts receivable	204,995	(194,939)
Prepaid expenses and advances	(20,050)	93,087
Security deposits	2,248	516
Accounts payable and accrued liabilities	(350,966)	265,395
Accrued salaries and related benefits	(104,824)	257,153
Refundable advances	-	(88,463)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(718,477)	1,648,290
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(31,053)	(11,783)
Purchases of investments	(2,326,143)	(2,243,007)
Sales and maturities of investments	2,240,919	779,009
NET CASH USED IN INVESTING ACTIVITIES	(116,277)	(1,475,781)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(834,754)	172,509
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,800,588	2,628,079
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,965,834	$ 2,800,588
NONCASH FINANCING TRANSACTION		
Forgiveness of PPP loan	$ -	$ 472,725

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 international, 501(c)(3) nonprofit organization that supports communities, nongovernmental organizations (NGOs), businesses and government agencies by creating, implementing, and scaling equitable climate change mitigation and resilience solutions for those most profoundly impacted by the global climate crisis by forming collaborative, people-focused partnerships. 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 bottom-up 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 as well as supply chains of global brands in support of a just transition.

Since its founding more than 30 years ago by former Vermont Governor Madeleine M. Kunin, ISC has led and continues to lead transformative community-driven projects around the globe, with our current areas of focus in the United States, China, and South and Southeast Asia. ISC is recognized for connecting community-driven initiatives with environmental problem-solving expertise.

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. OSC was inactive during the year ended September 30, 2023.

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:

China

Building off ISC's 15 years of extensive urban decarbonization work in 30 Chinese cities, we launched the China Deep Decarbonization and Equitable Long-term Strategies Alliance (China DELTA) in 2020 with funding from the Swedish Postcode Foundation. China DELTA dramatically reduce climate emissions and the scale of global climate disruption by supporting China's achievement of its 2060 neutrality pledge with a focus on the key cities of Changsha,

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

Organization (continued)

Asia (continued):

***China* (continued)**

Guangzhou, and Tianjin; it ended in December 2022. ISC estimates that with the successful implementation of China DELTA, Changsha and Tianjin is on course to avert 1 billion cumulative metric tons of CO2 equivalent by 2060. In addition, twelve Institutions have improved capacity to respond to China's 2060 carbon neutrality pledge and ISC has demonstrated, documented, and disseminated a replicable model for climate action and carbon neutrality planning that can inform and mobilize other Chinese cities toward achieving China's neutrality goal. Through August 2023, ISC's Chinese team prepared a series of case studies highlighting global carbon neutrality best practices and widely disseminated them via hybrid workshops in China.

India

In 2020, ISC expanded its USAID-funded EHS+ Center to launch the Maharashtra Clean Air Accelerator program. The program brought key municipal corporations together, supporting the implementation of city action plans. Apart from action planning, training and capacity building measures, ISC also leveraged its industry engagement and clean tech adoption work to realize co-benefits on air pollution reduction. This program concluded in the Summer of 2022.

ISC initiated the Sustainable Cotton Accelerator Project in 2020, with support from HSBC and in partnership with WWF. The initiative worked 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 helped map future climate-related risks to cotton production in Maharashtra, India. This program concluded in March 2022.

In 2020 ISC expanded the Women + Water Alliance with funding from GAP Inc. and USAID to reinforce the interlinkages between climate, cotton, and water and established roadmaps to foster greater upstream textile supplier sustainability. The alliance worked with over 4,000 smallholder farmers, of which over half were women, and it trained a cohort in the production, use and sale of self-generated bio-fertilizers and bio-pesticides. Results included a 15 percent increase in yield, a $375 per acre reduction in cultivation costs, an 18 percent reduction in water usage, a 46 percent decrease in greenhouse gasses, and $4,000 in additional income through smallholder women farmers working in groups to sell bio-pesticides and bio-fertilizers. This project concluded in June 2022.

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 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. This program concluded in February 2022.

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

Organization (continued)

Asia (continued):

India (continued)

ISC launched the Accelerating Clean, Equitable Manufacturing (ACE) program in India in 2021 with funding from the MacArthur Foundation. The program was created to holistically support the sustainable development of micro, small and medium enterprise (MSME) clusters in India by facilitating decarbonization and adoption of clean tech in the manufacturing sector; building a gender-equitable green workforce; and designing and developing a scalable roadmap to advance a gender-equitable green workforce and clean tech deployment at a subnational level. ACE works with partners in the chemical, textile, and automobile MSME sectors. This project is ongoing and will conclude in September 2024.

Mekong Region:

The Mekong Sustainable Manufacturing Alliance (The Alliance), a $8.8 million project funded by USAID with corporate matching and implemented by ISC in partnership with ELEVATE and the Asian Institute for Technology, launched at the end of 2020 and concluded in September 2023. The Alliance strengthened sustainable and competitive multi-sector manufacturing in Cambodia, Thailand, and Vietnam by supporting factories to advance initiatives that increase the regional adoption of Environmental, Social and Governance (ESG) standards. Working with factories that supply global apparel brands, the Alliance installed 4.5 megawatts of rooftop solar systems that are projected to avoid or reduce over 68,000 tons of carbon dioxide equivalent (tCO_2e) over the next 15 years, and it produced an industry groundbreaking Sustainable Biomass Guidelines and an accompanying Sustainability Risk Assessment tool for use in factories worldwide. The Alliance delivered 46 ESG training sessions and reached 5,659 factory managers, technical staff, and workers, over 80 percent of whom are women, to adopt climate-smart socially-compliant technologies and practices that result in greener and safer production; 51 manufacturers reported improved ESG performance capacity.

U.S. Programs:

The Partnership for Resilient Communities (PRC), originally launched in 2019 with financial support from the JPB Foundation, involved partnerships with ten community-based organizations (CBO) 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. In 2022 with renewed JPB Foundation funding ISC expanded the CBO cohort to include 14 members. ISC's intensive capacity-building program is providing infrastructure to each participating organization in the form of technical assistance and grant funding and is the foundation for a nationwide network that supports and connects community leaders of color.

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

Organization (continued)

U.S. Programs (continued):

In May 2020, ISC became the National Program Office for the Robert Wood Johnson Foundation's Health and Climate Solutions (HCS) Initiative. HCS funded seven partners working on projects to create opportunities for better health, advance health equity, and address climate adaptation or mitigation. ISC worked with partners to explore the interplay between health, climate change and structural racism and center their projects around equity. In December 2021, ISC received a six-month award to continue through COVID-19 delays; the program concluded in May 2022.

Through June 2022 ISC continued to help communities and cities increase their resilience through community-driven efforts led by local leaders. In Texas, the JPB Foundation-funded Upper Texas Regional Resilience Initiate provided education and technical training to community leaders to support leadership and advocacy skill sets. The initiative facilitated climate justice training for 277 participants, including a twelve-session Community Environmental Leadership Program for 33 community leaders that was offered by Texas Southern University and accredited by the Southern Association of Colleges and Schools.

ISC supported The Nature Conservancy, MA Chapter and its partners in establishing a path for strategy alignment and long-term collaboration amongst a diversity of organizations, including community-based and environmental justice organizations operating in Massachusetts and supported the diverse partners in advocating for climate funding and equity-driven policies and resources towards meeting State climate goals. The program concluded in June 2023.

The Climate Change Health and Equity program (CCHE), 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 centering equity. This project concluded in December 2022.

ISC's Kresge-funded Urban Equity Climate Compact (UECC) began in October 2020 and will continue through April 2024. UECC supports regional climate collaboratives in building cross-sector teams and advancing regional climate work. It is currently working with cohorts in Minneapolis, MN; Richmond, Virginia; Flagstaff, AZ; and Worcester, MA. The program's curriculum includes ISC-developed training on racial equity and the environment, equity and communications, equity and data, systems thinking, and collaborative networking.

ISC continues to support the Southeast Florida Regional Climate Change Compact (the Compact), our longest-standing US program, to work collaboratively to reduce regional greenhouse gas emissions, implement adaptation strategies, and build climate resilience across the Southeast Florida region. Founded as a partnership between Broward, Miami-Dade, Palm Beach, and Monroe Counties, ISC supports the Compact through secretariat functions via scheduling, planning, and facilitation of monthly meetings, three workshops

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

Organization (continued)

U.S. Programs (continued):

related to climate equity, vulnerability assessments, and extreme heat. This work continued throughout FY22 and FY23 and included support of successful Annual Virtual Summits. ISC also supported the update of the Compact's climate indicators resource, launched the Compact Climate Assessment Tool (CCAT) across the region, and built a new Compact website. This project will continue through January 2027.

The Dismantling Energy Insecurity in Communities of Color (DEICC)'s program goal is to activate community resilience and dismantle energy insecurity in ten communities of color across the United States through the development of solar community resilience hubs. It is supported by a grant from the Tides Foundation with funds from Wells Fargo. This project began in August 2022 and concludes in the Spring of 2024.

ISC's program with the Philadelphia Water Department (PWD) aims to develop a pre-development grant program for property owners who need financial assistance and stakeholders in historically disinvested and environmental justice communities. ISC is working closely with PWD to assess the limitations of the stormwater retrofit grant program to engage with the business owners and properties owners that are located in historically disinvested locations and who are in need of stormwater management.

The Partnership for Resilient Communities- Massachusetts program, an offshoot of ISC's flagship PRC project, is funded by the Barr Foundation. It supports three community based organizations located in Massachusetts that have active climate resilience projects within historic, urban communities of color that include energy justice, green/clean energy workforce, and solar community resilience hubs.

ISC's CBRE-funded Advancing Equitable Building Decarbonization (AEBD) program accelerates the decarbonization of buildings owned by people of color. Its activities include development and execution of steep decarbonization and energy efficiency roadmaps as well as the design of a database for commercial buildings owned by people of color and the development of innovative financial products and incentives that increase access to sustainability funding and financing resources for people of color building owners. This program concludes in September 2024.

ISC became one of three National partners for the U.S. Environmental Protections Agency's (EPA) Environmental Justice Thriving Communities Technical Assistance Centers (EJ TCTAC) program in the Fall of 2023. EJ TCTAC will increase knowledge, improve operational capacity and assist in the identification of and access to funds for quality of life enhancements through direct engagement with local communities, needs assessment, technical assistance and capacity building, grants, and platforms for community leaders. Program activities include building a technical assistance repository, provision of guidance and notification of funding sources to underserved and under-resourced communities nationwide, and delivering tailored technical assistance workshops. The program concludes in March 2028.

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

Principles of Consolidation

The accompanying consolidated financial statements reflect the activity of ISC, ISC Enterprises and SCI (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 no required gain or loss recorded from foreign currency transactions for the year ended September 30, 2023.

Investments

Investments consist of certificates of deposit due to mature at various times through January 2024. 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.

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

Fair Value Measurement (continued)

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, 2023, only the Organization's investments, as described in Note 6 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 $620,348 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.

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

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 consolidated 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 statement 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 statement 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.

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

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

Subgrants (continued)

payable, if any, 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 Pronouncement

Effective January 1, 2022, the Organization adopted FASB Accounting Standards Codification (ASC) 842, *Leases* (ASC 842). The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The Organization elected the short-term lease recognition exemption for all leases that have an initial lease term of less than twelve months. Consequently, short-term operating leases, which have an initial term of 12 months or less, are not recorded on the accompanying consolidated statement of financial position. Instead, the lease payments of those leases are reported as rent expense on a straight-line basis over the term.

2. Grants and Contributions Receivable

As of September 30, 2023, the Organization was owed $1,615,000 for unconditional grants and contributions, which were all due in less than one year and were considered fully collectible.

3. Due from the United States Government

As of September 30, 2023, the Organization was owed $415,375 from USAID and $103,932 from the EPA, agencies of the United States government, which were due in less than one year and was considered fully collectible.

4. Accounts Receivable

As of September 30, 2023 and 2022, the Organization was owed $124,691 and $329,686 for consulting contracts. There were no accounts receivable unbilled as of September 30, 2023 and 2022.

5. Conditional Contributions

During the year ended September 30, 2023, the Organization had a cost-reimbursable grant with a federal agency totaling $10,000,000 that is conditioned upon satisfying specified requirements in the respective agreement. During the year ended September 30, 2023, the Organization recognized $103,932 under this conditional grant, as management determined the associated conditions were substantially met during the year ended September 30, 2023. As of September 30, 2023, amounts totaling $9,896,068 had not yet been recognized under conditional agreements as conditions had not been met.

6. Investments

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of September 30, 2023, 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	$ 2,843,486	$ -	$ 2,843,486	$ -
Total Investments:	$ 2,843,486	$ -	$ 2,843,486	$ -

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.

7. Fixed Assets and Related Depreciation and Amortization

The Organization held the following fixed assets as of September 30, 2023:

Computer equipment	$ 49,135
Furniture	24,891
Leasehold improvements	18,943
Total Fixed Assets	92,969
Less: Accumulated Depreciation and Amortization	(54,954)
Fixed Assets, Net	$ 38,015

Depreciation and amortization expense was $20,009 for the year ended September 30, 2023.

8. 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 11.75%. As of September 30, 2023, there was no balance drawn on the line of credit.

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, 2023, the Organization's net assets without donor restrictions were as follows:

Undesignated	$ (44,534)
Board-designated – operating reserve	620,348
Total Net Assets Without Donor Restrictions	$ 575,814

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

9. Net Assets (continued)

Net Assets With Donor Restrictions

As of September 30, 2023, net assets with donor restrictions were restricted for the following purposes:

US Climate Program Activities	$ 5,558,043
Climate Innovation Fund	475,031
Urban programs	5,441
Environmental, Health, and Safety Academy	413
Total Net Assets With Donor Restrictions	$ 6,038,928

10. Commitments, Contingencies and Risks

Operating Leases

On January 4, 2023, the Organization entered into a lease agreement for its headquarters office in Montpelier, Vermont, for the period January 1, 2023, through December 31, 2023, at a monthly rate of $1,800.

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 and rent is paid on a month-to-month basis and went through February 28, 2023. 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 $46,600 for the year ended September 30, 2023.

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, 2023, the Organization had foreign cash totaling approximately $41,900. The majority of funds held in foreign countries are uninsured.

10. Commitments, Contingencies and Risks (continued)

Concentration of Risk

The Organization’s cash and cash equivalents are composed of amounts in accounts at various financial institutions. As of September 30, 2023, the Organization’s cash and cash equivalents balance and certificates of deposit held at various institutions totaled approximately $4,629,000. Of this amount, approximately $2,758,000 was guaranteed by the Federal Deposit Insurance Corporation. The approximately $1,871,000 remaining was uninsured as of September 30, 2023. While the amounts at times exceed the amount guaranteed by various agencies and insurers and, therefore, bear some risk, the Organization has not experienced, nor does it anticipate, any loss of funds.

Major Grantors

Approximately 60% of the Organization’s revenue and support for the year ended September 30, 2023, was derived from grants and contributions from three donors. Additionally, the Organization was owed approximately $2,019,000 from three donors, which accounted for 89% of the Organization’s receivables as of September 30, 2023. 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, 2023, were as follows:

Cash and cash equivalents	$ 1,965,834
Grants and contributions receivable, current	1,615,000
Due from United States government - awards	519,307
Accounts receivable	124,691
Investments	2,843,486
Total Financial Assets Available as of September 30, 2023	7,068,318
Less:	
Amounts unavailable for general expenditures within one year due to donors’ restriction with purpose restriction	(6,038,928)
Amounts unavailable to management without Board approval:	
Board-designated for working capital and fundraising reserves	(620,348)
Financial Assets Available to Meet General Expenditures Within One Year	$ 409,042

11. Availability and Liquidity (continued)

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, 2023. 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 $125,635 for the year ended September 30, 2023.

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, 2023, 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, 2023, 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, 2023, 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, 2023, the Organization had no accruals for interest and/or penalties.

13. Income Taxes (continued)

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, 2022, 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 6, 2024, the date the consolidated financial statements were available to be issued. There were no other subsequent events that require recognition or disclosure in these consolidated financial statements.