



Reports of Independent Auditors
and Consolidated Financial Statements
with Supplementary Information

**Institute for Sustainable Communities,
Affiliate and Subsidiaries**

September 30, 2024
(with comparative totals for the year ended September 30, 2023)

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Report of Independent Auditors

The Board of Directors
Institute for Sustainable Communities, Affiliate and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Institute for Sustainable Communities, Affiliate and Subsidiaries (Organization), which comprise the consolidated statement of financial position as of September 30, 2024, 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 Institute for Sustainable Communities, Affiliate and Subsidiaries as of September 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's 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 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 Institute for Sustainable Communities, Affiliate and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's 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 auditor's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 consolidated 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

The summarized consolidated financial statements as of and for the year ended September 30, 2023, were audited by other auditors whose report thereon dated June 6, 2024, expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements, from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly US, LLP

San Francisco, California
October 27, 2025

Consolidated Financial Statements

**Institute for Sustainable Communities,
Affiliate and Subsidiaries**
Consolidated Statement of Financial Position
September 30, 2024
(with comparative totals for September 30, 2023)

	2024	2023
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 438,840	\$ 1,965,834
Grants and contributions receivable, net	545,000	1,615,000
Due from the United States government	1,407,511	519,307
Accounts receivable	52,223	124,691
Prepaid expenses and advances	234,050	81,188
Investments	1,591,883	2,843,486
Fixed assets, net	36,748	38,015
Security deposits	2,813	4,373
	\$ 4,309,068	\$ 7,191,894
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 756,172	\$ 325,107
Accrued salaries and related benefits	116,301	252,045
	872,473	577,152
NET ASSETS		
Without donor restrictions	538,509	575,814
With donor restrictions	2,898,086	6,038,928
	3,436,595	6,614,742
	\$ 4,309,068	\$ 7,191,894

See accompanying notes.

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Consolidated Statement of Activities
Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)**

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
REVENUE AND SUPPORT				
Grants and contributions:				
Private foundations and corporations	\$ 71,059	\$ 1,210,000	\$ 1,281,059	\$ 962,023
United States government	2,867,652	-	2,867,652	1,693,395
Individuals	163,377	-	163,377	218,705
Contracts	586,292	-	586,292	433,250
Investment income	169,221	-	169,221	156,213
Other income	-	-	-	26,763
Net assets released from restrictions	4,350,842	(4,350,842)	-	-
TOTAL REVENUE AND SUPPORT	8,208,443	(3,140,842)	5,067,601	3,490,349
EXPENSES				
Program Services:				
International	434,974	-	434,974	2,028,462
U.S. programs	5,822,798	-	5,822,798	4,105,526
Total program services	6,257,772	-	6,257,772	6,133,988
Supporting Services:				
Administration	1,703,252	-	1,703,252	2,690,658
Fundraising	284,724	-	284,724	239,894
Total supporting services	1,987,976	-	1,987,976	2,930,552
TOTAL EXPENSES	8,245,748	-	8,245,748	9,064,540
CHANGE IN NET ASSETS	(37,305)	(3,140,842)	(3,178,147)	(5,574,191)
NET ASSETS, BEGINNING OF YEAR	575,814	6,038,928	6,614,742	12,188,933
NET ASSETS, END OF YEAR	\$ 538,509	\$ 2,898,086	\$ 3,436,595	\$ 6,614,742

See accompanying notes.

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)**

	Program Services			Supporting Services			2024 Total	2023 Total
	International	U.S. Programs	Total Program Services	Administration	Fundraising	Total Supporting Services		
Salaries	\$ 204,264	\$ 1,883,969	\$ 2,088,233	\$ 853,859	\$ 155,568	\$ 1,009,427	\$ 3,097,660	\$ 2,953,706
Subgrants	-	1,976,602	1,976,602	-	-	-	1,976,602	2,504,965
Consultants	88,929	928,436	1,017,365	227,327	58,547	285,874	1,303,239	1,522,297
Personnel benefits	27,027	509,033	536,060	275,151	42,423	317,574	853,634	754,702
Program trainings and conventions	29,801	108,570	138,371	406	-	406	138,777	286,705
Travel	27,337	205,007	232,344	81,027	2,272	83,299	315,643	246,363
Professional services	9,852	69,656	79,508	49,004	-	49,004	128,512	228,041
Staff recruitment and development	124	4,359	4,483	4,353	265	4,618	9,101	185,295
Office operations	31,937	53,728	85,665	147,731	22,122	169,853	255,518	143,631
Supplies and equipment	11,254	82,490	93,744	20,003	151	20,154	113,898	139,970
Occupancy	4,449	948	5,397	27,643	-	27,643	33,040	78,856
Depreciation	-	-	-	16,748	3,376	20,124	20,124	20,009
TOTAL EXPENSES	\$ 434,974	\$ 5,822,798	\$ 6,257,772	\$ 1,703,252	\$ 284,724	\$ 1,987,976	\$ 8,245,748	\$ 9,064,540

See accompanying notes.

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Consolidated Statement of Cash Flows
Year Ended September 30, 2024
(with comparative totals for the year ended September 30, 2023)**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,178,147)	\$ (5,574,191)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	20,124	20,009
Realized and unrealized gain on investments	-	(8,959)
Changes in assets and liabilities:		
Grants and contributions receivable	1,070,000	5,024,703
Due from the United States government	(888,204)	88,558
Accounts receivable	72,468	204,995
Prepaid expenses and advances	(152,862)	(20,050)
Security deposits	1,560	2,248
Accounts payable and accrued liabilities	431,065	(350,966)
Accrued salaries and related benefits	(135,744)	(104,824)
	<u>(2,759,740)</u>	<u>(564,176)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(18,857)	(31,053)
Purchases of investments	-	(2,326,143)
Sales and maturities of investments	1,251,603	2,240,919
	<u>1,232,746</u>	<u>(116,277)</u>
Net cash provided by (used in) investing activities		
	<u>(1,526,994)</u>	<u>(834,754)</u>
Net change in cash and cash equivalents		
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,965,834</u>	<u>2,800,588</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 438,840</u>	<u>\$ 1,965,834</u>

See accompanying notes.

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Notes to Consolidated Financial Statements**

Note 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, 2024.

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.

Institute for Sustainable Communities, Affiliate and Subsidiaries

Notes to Consolidated Financial Statements

ISC achieves its mission through the following programs:

Asia

China – China is a major hub in global supply chains, and even small changes in sustainability practices can have an enormous impact on decarbonization. With the Sustainable Supply Chain Hub (SSCH), ISC aims to develop a model for sustainability practitioners in multiple industries across Mainland China to support emissions reductions throughout their production. The ultimate goal is to drive reductions in Scope 3 emissions, which are the indirect emissions produced by an organization's upstream and downstream supply chain, such as emissions caused by the production of purchased goods and services to make the products, the transportation and distribution of products, and the end-of-life treatment of sold products. Through a combination of tele-mentoring, peer exchange, and sharing of best sustainability practices, industry practitioners, and stakeholders in the accompanying Supply Chain Academy will catalyze the next generation of supply chain sustainability leaders in China to transform their supply chains in their own industries and beyond. This program is scheduled to run through September 2027.

Gender equity is an essential part of ensuring a just transition for net-zero carbon planning. ISC is collaborating with Beijing Green Sunshine Foundation to establish the Resilient Communities Leadership Accelerator (RCLA), which will support community-based organizations working towards resilience in the climate-vulnerable Pearl and Yangtze River delta regions of China. RCLA will provide organizations with technical expertise and resources to support their existing projects while integrating gender equity into their work. RCLA will also provide funding for the implementation of qualified, locally-led resilience projects. Using ISC's community-focused framework, RCLA aims to support the work that these communities have already started to prepare for climate change impacts, while bolstering their resilience through additional support and training for gender equity. The project is currently scheduled to run through April 2028.

As China works towards its national climate goals, efforts are underway to ensure that communities that once relied on the economic support of fossil fuel industries are lifted up by the clean energy transition. For the Case Studies for Subnational Climate Just Transitions project, ISC will conduct studies in the Chinese provinces of Guangdong, a manufacturing stronghold which already has advanced carbon market programs, and Shaanxi, a former coal mining area with a much smaller manufacturing base, to determine what policies can be used to improve public services in these climate-vulnerable communities over the next 10 years and beyond. The study will consist of a combination of on-the-ground interviews with stakeholders in the region, as well as comparison studies to former coal-mining regions in Germany and carbon market-dependent areas in California to determine potential policy instruments and they can be tailored for use in these Chinese provinces. The case studies can also be used to model how subnational policies can be catered to the needs of individual provinces in order to ensure a just transition away from fossil fuels. This project is funded by the Energy Foundation China through March 2026.

Institute for Sustainable Communities, Affiliate and Subsidiaries Notes to Consolidated Financial Statements

India – 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 concluded in September 2024.

The steel industry in India is economically important, but extremely carbon intensive; shifts in steel production processes like Direct Reduced Iron have potential to help India reach its national net-zero emissions goals by 2070. The Direct Reduced Iron (DRI) Steel Project studied groups of factories in the states of Odisha and Karnataka to develop a model with recommendations for how steelmakers in these regions can work towards decarbonization short and long term. The reports developed by the DRI Steel Project will be shared with Sponge Iron Manufacturers Association (SIMA), Bureau of Energy Efficiency, National Institute of Secondary Steel Technology, and other industry stakeholders in order to catalyze change. The project will conclude in August 2025.

Mekong Region – The Mekong Sustainable Manufacturing Alliance (the Alliance), an \$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 (tCO₂e) 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.

Institute for Sustainable Communities, Affiliate and Subsidiaries Notes to Consolidated Financial Statements

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 related to climate equity, vulnerability assessments, and extreme heat. This work continued throughout fiscal year 2024 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.

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 will conclude in March 2026.

ISC became one of three national partners for the U.S. Environmental Protection 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 was cancelled in April 2025.

Institute for Sustainable Communities, Affiliate and Subsidiaries

Notes to Consolidated Financial Statements

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).

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, 2024.

Accounts receivable – Accounts receivable represent uncollateralized obligations due from customers and are stated at the amount billed. Accounts receivable are due under normal trade terms and are unsecured. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's estimate of the amounts that will not be collected. The Organization estimates the lifetime expected credit losses on its accounts receivable at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Organization estimates its expected credit losses using an aging schedule. Management believes that no allowance for credit losses is necessary as of September 30, 2024.

Investments – Investments consist of certificates of deposit due to mature at various times through March 2025. 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. Investment income consists of interest and dividends earned on certificates of deposit. There were no investment expenses or unrealized/realized gains/losses during the year ended September 30, 2024.

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.

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Notes to Consolidated Financial Statements**

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, 2024, only the Organization's investments, as described in Note 3 of these consolidated financial statements, were measured at fair value on a recurring basis.

Fixed assets – 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. 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. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. No such impairment was recorded during the year ended September 30, 2024.

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 \$437,714 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.

**Institute for Sustainable Communities,
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Notes to Consolidated Financial Statements

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.

As of September 30, 2024, the Organization was owed \$545,000 for unconditional grants and contributions, which were all due in less than one year and were considered fully collectible.

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.

As of September 30, 2024, the Organization was owed \$1,407,511 from the EPA, agencies of the United States government, which were due in less than one year and was considered fully collectible.

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 payable, if any, in the accompanying consolidated statement of financial position. Conditional grants, that is, those with a measurable 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 met.

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Notes to Consolidated Financial Statements**

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.

Use of 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.

Comparative financial information – The 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, 2023, from which the summarized information was derived.

Note 2 – Conditional Contributions

During the year ended September 30, 2024, the Organization had two cost-reimbursable grants with a federal agency totaling \$22,000,000 that is conditioned upon satisfying specified requirements in the respective agreement. During the year ended September 30, 2024, the Organization recognized \$2,864,084 under these conditional grants, as management determined the associated conditions were met during the year ended September 30, 2024. As of September 30, 2024, amounts totaling \$19,031,984 had not yet been recognized under conditional agreements as conditions had not been met. Subsequent to September 30, 2024, the EPA eliminated the related programs and terminated the grants to the Organization.

Note 3 – Investments

The following table summarizes the Organization’s assets measured at fair value on a recurring basis as of September 30, 2024, aggregated by the fair value hierarchy level in which those measurements were made:

	<u>Total Fair Value</u>	<u>Identical Assets/ Liabilities (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments:				
Certificates of deposit	\$ 1,591,883	\$ -	\$ 1,591,883	\$ -
Total investments	<u>\$ 1,591,883</u>	<u>\$ -</u>	<u>\$ 1,591,883</u>	<u>\$ -</u>

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.

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Notes to Consolidated Financial Statements**

Note 4 – Fixed Assets

The Organization held the following fixed assets as of September 30, 2024:

Computer equipment	\$ 67,993
Furniture	<u>3,263</u>
Total fixed assets	71,256
Less: accumulated depreciation	<u>(34,508)</u>
Fixed assets, net	<u><u>\$ 36,748</u></u>

Depreciation expense for the year ended September 30, 2024, was \$20,124.

Note 5 – 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%. On March 12, 2024, the Organization terminated its line-of-credit.

Note 6 – Net Assets

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, 2024, the Organization's net assets without donor restrictions were as follows:

Undesignated	\$ 100,795
Board-designated - operating reserve	<u>437,714</u>
Total net assets without donor restrictions	<u><u>\$ 538,509</u></u>

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

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Notes to Consolidated Financial Statements**

As of September 30, 2024, net assets with donor restrictions were restricted for the following purposes:

US Climate Program Activities	\$ 2,423,055
Climate Innovation Fund	<u>475,031</u>
Total net assets with donor restrictions	<u>\$ 2,898,086</u>

All net assets with donor restrictions for program services are expected to be released from restriction by September 30, 2026.

For the year ended September 30, 2024, net assets with donor restrictions released from restriction were as follows:

US Climate Program Activities	\$ 4,344,988
Urban programs	5,441
Environmental, Health, and Safety Academy	<u>413</u>
Total net assets released from restrictions	<u>\$ 4,350,842</u>

Note 7 – Commitments, Contingencies and Risks

Operating leases – The Organization leases office space in various locations through short-term lease agreements. Rent expense under these lease agreements totaled \$26,726 for the year ended September 30, 2024.

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, 2024, the Organization had foreign cash totaling approximately \$71,643. The majority of funds held in foreign countries are uninsured.

Concentration of risk – The Organization’s cash and cash equivalents and investments are composed of amounts in accounts at various financial institutions. During the year, these accounts may exceed the amounts insured by the Federal Deposit Insurance Corporation (FDIC) or by the Securities Investor Protection Corporation (SIPC). The Organization has not experienced, nor does it anticipate, any loss of funds.

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Notes to Consolidated Financial Statements**

The Organization's grant funding is subject to various risks, including potential changes in government policy and executive orders issued by federal, state, or local authorities. Such actions may lead to modifications, delays, or cancellations of grant programs, which could negatively affect the Organization's ability to meet its commitments under existing grants.

While the Organization has evaluated these risks, the potential impact of future executive orders and policy changes related to grant funding remains uncertain. The ultimate effect on the Organization's financial position and operating results will depend on the nature and timing of governmental actions. The Organization will continue to monitor these developments closely and take appropriate action as necessary.

Major grantors – Approximately 80% of the Organization's revenue and support for the year ended September 30, 2024, was derived from grants and contributions from three donors. Additionally, the Organization was owed approximately \$500,000 from one donor, which accounted for 92% of the Organization's grant receivables as of September 30, 2024.

Note 8 – 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, 2024, were as follows:

Cash and cash equivalents	\$ 438,840
Grants and contributions receivable, current	545,000
Due from United States government - awards	1,407,511
Accounts receivable	52,223
Investments	<u>1,591,883</u>
 Total financial assets available as year end	 4,035,457
 Less:	
Amounts unavailable for general expenditures within one year due to donors' restriction with purpose restriction	(2,898,086)
Amounts unavailable to management without Board approval: Board-designated for working capital and fundraising reserves	<u>(437,714)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 699,657</u></u>

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Notes to Consolidated Financial Statements**

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 board-designated net assets that could be available for current operations with Board approval, if necessary.

Note 9 – Retirement 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 \$164,681 for the year ended September 30, 2024.

Note 10 – 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, 2024, 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, 2024, 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, 2024, the Organization had no accruals for interest and/or penalties.

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

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Notes to Consolidated Financial Statements**

Note 11 – Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 27, 2025, the date the consolidated financial statements were available to be issued.

Subsequent to September 30, 2024, the EPA terminated all current grant agreements with the Organization.

There were no other subsequent events that require recognition or disclosure in these consolidated financial statements.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Institute for Sustainable Communities, Affiliate and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Institute for Sustainable Communities, Affiliate and Subsidiaries (Organization), which comprise the consolidated statement of financial position as of September 30, 2024, 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 and have issued our report thereon dated October 27, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of finding and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

San Francisco, California
October 27, 2025

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Institute for Sustainable Communities, Affiliate and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Institute for Sustainable Communities, Affiliate and Subsidiaries' (Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2024. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

San Francisco, California
October 27, 2025

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Schedule of Expenditures of Federal Awards
September 30, 2024**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
ENVIRONMENTAL PROTECTION AGENCY (EPA)				
Surveys, Studies, Investigations, Training and Special Purpose Activities Relating to Environmental Justice	66.309	N/A	\$ 510,287	\$ 1,655,976
Environmental Justice Thriving Communities Grantmaking Program	66.615	N/A	<u>409,267</u>	<u>1,208,108</u>
Total Environmental Protection Agency			<u>919,554</u>	<u>2,864,084</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 919,554</u>	<u>\$ 2,864,084</u>

See accompanying notes to schedule of expenditures of federal awards

**Institute for Sustainable Communities,
Affiliate and Subsidiaries**
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Institute for Sustainable Communities and its Affiliate and Subsidiaries (the Organization) under programs of the federal government for the year ended September 30, 2024. The information on the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Schedule of Finding and Questioned Costs
Year Ended September 30, 2024**

Section I – Summary of Auditor’s Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of each major federal program and type of auditor’s report issued on compliance for each major federal program:

<i>Federal Assistance Listing Numbers</i>	<i>Name of Major Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for the Major Federal Program</i>
66.309	Surveys, Studies, Investigations, Training and Special Purpose Activities, Relating to Environmental Justice	<i>Unmodified</i>
66.615	Environmental Justice Thriving Communities Grantmaking Program	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

Yes No

Section II – Financial Statement Findings

Finding 2024-001 – Financial Close and Reporting and Delay in Reporting – Significant Deficiency

Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting inclusive of meeting reporting deadlines as part of the closing process. Additionally, per Title 2, Appendix VII, the data collection form should be submitted within a nine-month period subsequent to September 30, 2024.

Condition – The Organization’s September 30, 2024, consolidated financial statements closing process experienced delays due to capacity constraints.

**Institute for Sustainable Communities,
Affiliate and Subsidiaries
Schedule of Finding and Questioned Costs
Year Ended September 30, 2024**

Context – The Organization did not meet its reporting deadline of June 30, 2025.

Repeat finding – This is not a repeat finding.

Effect – The financial close and the data collection form were not submitted in a timely manner.

Cause – The Organization chose to delay submission of reporting data for the year ended September 30, 2024, due to a delay in receiving approved Negotiated Indirect Cost Rate Agreement (NICRA) rate from USAID, the organization’s cognizant agency with the U.S. Government.

Recommendation – We recommend management strengthen its existing policies and procedures surrounding financial close and reporting, including prioritizing risks based on their potential impact on the timeliness of financial reporting.

Management’s Response – Management agrees with the recommendation to prioritize timely financial close and reporting. The Organization has reviewed its annual close processes to ensure the timeliness and accuracy of reporting, which include bringing in additional oversight and resources to assist in meeting year-end financial reporting deadlines going forward.

Section III – Federal Award Findings and Questioned Costs

None reported.



Summary Schedule of Prior Audit Findings

Institute for Sustainable Communities
Year Ended September 30, 2024

Period Covered by the Prior Audit: October 1, 2022 – September 30, 2023

Name of Audit Firm: Marcum LLP

Finding No. 2023-001: Contract Revenue Recognition and Financial Close Process – Material Weakness in Internal Control Over Financial Reporting

Criteria – Revenue recognition related to the contract with a customer is described in Financial Accounting Standards Board Accounting Standards Codification (ASC) 606. The core principle for recognizing revenue from contracts with customers is that an organization should recognize revenue at the point in time that the transfer of the promised goods or services to the customer occurs.

Context – We noted one contract where revenue was recognized for services that had not yet been rendered, resulting in contract revenue and accounts receivable before adjustments being overstated by \$100,000.

Status – This finding was fully remediated.

Finding No. 2023-002: Contribution Revenue Recognition and Financial Close Process – Material Weakness in Internal Control Over Financial Reporting

Criteria – Generally accepted accounting principles require contribution revenue to be recognized when an unconditional promise to give is received.

Context – During our testing, a contribution was recognized in the current fiscal year that was unconditionally committed to the Organization in the previous fiscal year. The Organization over recognized contribution revenue in the amount of \$200,000 for the year ended September 30, 2023, which also resulted in an understatement of opening net assets of \$200,000.

Status – This finding was fully remediated.

Finding No. 2023-003: Internal Control over Payroll – Significant Deficiency in Internal Control over Compliance

U.S. Agency for International Development, USAID Foreign Assistant for Programs Overseas, Assistance Listing Number 98.001.

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Summary Schedule of Prior Audit Findings

Criteria – Section 200.405 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) indicates that a cost is allocable to a particular federal award if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with relative benefits received. This standard is met, among other things, if the cost charged is incurred specifically for the federal award. Also, under cost principles established by 2 CFR Section 200.430, charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated and be incorporated into the official records of the non-Federal entity.

Context – During our testing of payroll expenditures, we noted an instance for one employee where the time worked on the award did not have support to document that the payroll expenditure was properly approved and an instance where a bonus was awarded to an employee, where the allocation for time worked on the federal award for the specific pay period was used as the allocable base for the overall bonus instead of the period to which the bonus was related. The total amount recorded to the grant related to this was \$2,563.

Status – This finding was fully remediated.

Finding No. 2023-004: Internal Control over Period of Performance – Significant Deficiency in Internal Control over Compliance

U.S. Agency for International Development, USAID Foreign Assistant for Programs Overseas, Assistance Listing Number 98.001.

Criteria – As per the Code of Federal Regulations (CFR) § 200.303 Internal controls, the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This includes ensuring that expenses are incurred during the period of performance stated in the federal award.

Context – During our testing over the period of performance, we noted 3 payroll charges that were recorded to the grant after the period of performance on the grant award had ended. The Organization was able to replace the \$1,824 in payroll charges with eligible consultant charges incurred during the period to support the recognition of this total.

Status – This finding was fully remediated.

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Summary Schedule of Prior Audit Findings

Finding No. 2023-005: Internal Control over Preparation of Schedule of Expenditures of Federal Awards (“SEFA”) – Significant Deficiency in Internal Control over Compliance

Criteria – Uniform Guidance prescribes the required Schedule of Expenditures of Federal Awards (SEFA) contents and delineates how or what is deemed to be expenditures for purposes of completing the SEFA.

Context – During our testing, when comparing the amount of the federal expenditures recorded to the general ledger, we noted a difference in the overall federal expenditures and the related federal revenue recorded.

Status – This finding was fully remediated.

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INSTITUTE FOR
**Sustainable
Communities**

Corrective Action Plan

Institute for Sustainable Communities
Year Ended September 30, 2024

Finding No. 2024-001: Financial Close and Reporting and Delay in Reporting – Significant Deficiency

Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting inclusive of meeting reporting deadlines as part of the closing process. Additionally, per Title 2, Appendix VII, the data collection form should be submitted within a nine-month period subsequent to September 30, 2024.

Corrective Action Plan – Management agrees with the recommendation to prioritize timely financial close and reporting. The Organization has reviewed its annual close processes to ensure the timeliness and accuracy of reporting, which include bringing in additional oversight and resources to assist in meeting year-end financial reporting deadlines going forward.

Name of Contact Person: Rebecca Kaduru, President

Anticipated Completion Date: To be completed for year-end September 30, 2025.

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Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.