Climate Policy Initiative, Inc.

December 31, 2018 and 2017

Independent Auditors' Report

and

Consolidated Financial Statements

Climate Policy Initiative, Inc.

Independent Auditors' Report
and Consolidated Financial Statements

Independent Auditors' Report

THE BOARD OF DIRECTORS
CLIMATE POLICY INITIATIVE, INC.
San Francisco, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **CLIMATE POLICY INITIATIVE, INC. (CPI)** which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, the consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CPI's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CPI's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Climate Policy Initiative, Inc. as of December 31, 2018 and 2017, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As described in Note 2(m), CPI adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

Hood & Strong LLP

San Francisco, California
September 16, 2019

Climate Policy Initiative, Inc.

Consolidated Statements of Financial Position

December 31,	2018	2017
Assets		
Cash and cash equivalents	$ 11,073,497	$ 10,568,986
Grants and accounts receivable	7,404,857	4,397,238
Investments	2,015,294	1,997,297
Advanced funding to affiliates	207,633	198,597
Prepaid expenses and other assets	174,660	153,078
Fixed assets, net	131,140	200,832
Total assets	$ 21,007,081	$ 17,516,028
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 513,014	$ 299,731
Payroll related accrued expenses	330,662	316,498
Total liabilities	843,676	616,229
Net Assets:		
Without donor restrictions	4,980,347	5,432,884
With donor restictions	15,183,058	11,466,915
Total net assets	20,163,405	16,899,799
Total liabilities and net assets	$ 21,007,081	$ 17,516,028

See accompanying notes to consolidated financial statements.

Climate Policy Initiative, Inc.

Consolidated Statements of Activities and Changes in Net Assets

Years Ended December 31,	2018	2017
Changes in Net Assets Without Donor Restrictions:		
Support and revenues:		
Grant and contract revenue	$ 6,084,343	$ 6,000,145
Investment income, net	30,000	4,834
Other income	29,739	99,356
Net assets released from restrictions	4,661,482	5,454,663
	10,805,564	11,558,998
Expenses:		
Program services	9,693,028	11,677,979
Management and general	1,150,526	819,517
Fundraising and development	414,547	386,520
	11,258,101	12,884,016
Decrease in net assets without donor restrictions	(452,537)	(1,325,018)
Changes in Net Assets With Donor Restrictions:		
Support and Revenues:		
Grant revenue, net	8,377,625	6,437,909
Net assets released from restrictions	(4,661,482)	(5,454,663)
Increase in net assets with donor restrictions:	3,716,143	983,246
Change in Net Assets	3,263,606	(341,772)
Net Assets, beginning of year	16,899,799	17,241,571
Net Assets, end of year	$ 20,163,405	$ 16,899,799

See accompanying notes to consolidated financial statements.

Climate Policy Initiative, Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services								
	Climate Finance	Energy Finance	Brazil - Land Use	Indonesia - Land Use	India	Subtotal	Management and general	Fundraising and development	Total
Employee related expenses	$ 1,982,388	$ 1,324,237	$ 741,004	$ 444,447	$ 743,209	$ 5,235,285	$ 1,100,456	$ 215,559	$ 6,551,300
Professional services	875,605	14,287	643,017	184,566	132,002	1,849,477	287,591	160,000	2,297,068
Subcontract expenses			37,484	40,003	421,335	498,822	9,689		508,511
Travel and meetings	137,440	72,448	84,511	44,147	33,690	372,236	20,637	37,689	430,562
Seminars	17,141	627	1,236	7,781	5,732	32,517	8,170	261	40,948
Rent	2,200	1,227	27,359	16,957		47,743	684,402	35	732,180
Office and telecommunications	60,511	1,314	31,679	14,225	12,341	120,070	313,362	1,003	434,435
Information technology	192		358	6,372	18	6,940	28,601		35,541
Depreciation and amortization						-	63,035		63,035
Unrealized and realized loss on foreign exchange	11,049	714	45,421	712	132	58,028	24,152		82,180
Value added taxes	35,488	17,598			4,700	57,786	24,555		82,341
Subtotal	3,122,014	1,432,452	1,612,069	759,210	1,353,159	8,278,904	2,564,650	414,547	11,258,101
Indirect allocation:									
Employee related expenses	251,263	120,130	51,177	42,695	42,958	508,223	(508,223)		-
Professional services	59,767	29,086	30,390	7,423	42,334	169,000	(169,000)		-
Rent	282,803	135,366	17,630	24,383	46,812	506,994	(506,994)		-
Office and telecommunications	55,760	53,553	42,779	6,873	12,250	171,215	(171,215)		-
Depreciation and amortization	938		57,008	746		58,692	(58,692)		-
Subtotal - indirect allocation	650,531	338,135	198,984	82,120	144,354	1,414,124	(1,414,124)	-	-
Total	$ 3,772,545	$ 1,770,587	$ 1,811,053	$ 841,330	$ 1,497,513	$ 9,693,028	$ 1,150,526	$ 414,547	$ 11,258,101

See accompanying notes to consolidated financial statements.

Climate Policy Initiative, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31,	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	$ 3,263,606	$ (341,772)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	63,035	87,867
Unrealized loss on investments	23,869	2,703
Loss on disposal of fixed assets	6,657	
Changes in assets and liabilities:		
Grants and accounts receivable	(3,007,619)	(295,909)
Advanced fundings to affiliates	(9,036)	124,733
Prepaid expenses and other assets	(21,582)	31,305
Deferred revenue		(307,489)
Accounts payable and accrued expenses	227,447	(246,550)
Net cash provided (used) by operating activities	546,377	(945,112)
Cash Flows from Investing Activities:		
Purchases of fixed assets		(26,864)
Sales of investments	595,620	
Purchases of investments	(637,486)	(2,000,000)
Net cash used in investing activities	(41,866)	(2,026,864)
Change in Cash and Cash Equivalents	504,511	(2,971,976)
Cash and Cash Equivalents, beginning of year	10,568,986	13,540,962
Cash and Cash Equivalents, end of year	$ 11,073,497	$ 10,568,986
Components of Cash and Cash Equivalents:		
Cash and cash equivalents	$ 9,884,060	$ 8,818,545
Restricted cash	1,189,437	1,750,441
	$ 11,073,497	$ 10,568,986

See accompanying notes to consolidated financial statements.

Note 1 - Organization:

Climate Policy Initiative, established in 2009, is a not-for-profit policy effectiveness analysis and advisory organization that assesses, diagnoses, and supports international efforts to achieve low carbon growth in both the developed and the developing world. Headquartered in San Francisco, CPI has offices in London, United Kingdom, and Jakarta, Indonesia as well as affiliated offices in Rio de Janeiro, Brazil, and New Delhi, India.

In 2015, Climate Policy Initiative established Climate Policy Initiative India Private Limited, an India-based corporation pursuant to sub-section (2) of the section 7 of the Companies Act, 2013 and rule 8 of the Companies Incorporation Rules, 2014. Climate Policy Initiative India Private Limited was established for operations in India and is solely owned by Climate Policy Initiative.

In 2017, Climate Policy Initiative established Climate Policy Foundation, an Indian non-profit organization pursuant to sub-section (2) of the section 7 of the Companies Act, 2013 (18 of 2013) and rule 18 of the Companies (Incorporation) Rules, 2014. The Climate Policy Foundation is currently inactive, pending final funding approval by the India government. Upon activation of the Climate Policy Foundation, Climate Policy Initiative India Private Limited will be dissolved.

The accompanying consolidated financial statements include all the amounts and operations of Climate Policy Initiative, Climate Policy Initiative India Private Limited, and Climate Policy Foundation (collectively CPI).

CPI's primary programs include:

Climate Finance

CPI conducts the most comprehensive mapping of climate finance flows available and convenes public and private stakeholders to design and implement innovative financial instruments though The Global Innovation Lab for Climate Finance. CPI also works with governments, companies, investors, and foundations around the world to assess, test, and replicate their policies, programs, and investments. The work ensures that resources are spent as effectively as possible.

Energy Finance

CPI works with governments, utilities, companies, banks, investors, and foundations around the world to understand the true cost of the transition to a low carbon energy system, to evaluate and improve policy, and to design new financial vehicles that can lower costs and align investment returns from low-carbon energy assets with investors' needs. These actions can maximize the financial benefits of transitioning to a low-carbon energy system while minimizing the cost to public budgets and private balance sheets.

Land Use

CPI's land use program is based on a "Production & Protection" approach, which aims to help nations achieve low-carbon economic growth. CPI identifies and assesses opportunities to improve land use efficiency and increase productivity of land while simultaneously protecting forests' vital carbon stocks. CPI is working with the Ministry of Environment in Brazil, the Ministry of Finance in Indonesia, and other decision makers to support a Production and Protection strategy.

Note 2 - Summary of Significant Accounting Policies:

a. Basis of Presentation and Description of Net Assets

The accompanying consolidated financial statements are presented on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). CPI reports information regarding its financial position and activities according to two classes of net assets:

Net Assets without donor restrictions – The portion of net assets not subject to time or donor-imposed restrictions and may be expended for any purpose in performing the primary objective of CPI.

Net Assets with donor restrictions – The portion of net assets of which use by CPI is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CPI.

b. Principles of Consolidation

All significant intercompany accounts and transactions have been eliminated in consolidation. Climate Policy Initiative India Private Limited has a fiscal year ending March 31st. These consolidated financial statements include activities for Climate Policy Initiative India Private Limited for the twelve months ended December 31, 2018 and 2017.

c. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and interest-bearing savings accounts. At December 31, 2018 and 2017, CPI held $1,189,437 and $1,750,441 in cash restricted for the use of the Norwegian Agency for Development Cooperation and the Children's Investment Fund Foundation grants (See Note 4).

d. Grants and Accounts Receivable

Grants and accounts receivable consist primarily of commitments made by individuals and foundations. Long term receivables are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market rates applicable in the year in which those promises are received.

e. Investments

Investments are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the Consolidated Statements of Activities and Changes in Net Assets. Dividend and interest income are accrued when earned. Fair values are generally provided by using quoted market prices.

f. Fair Value Measurements

CPI carries certain assets and liabilities at fair value. Fair value is defined as 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. CPI classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, such as quoted prices for similar securities and quoted prices in inactive markets.

Level 3 - inputs are unobservable and reflect CPI's determination of assumptions that market participants might reasonably use in valuing the securities.

g. Fixed Assets

Fixed assets include office furniture and equipment stated at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line basis over the useful life of the asset, which is between three and five years. Leasehold improvements are amortized over the life of the lease or the useful life of the asset, whichever is shorter. Furniture, equipment, software, and leasehold improvements with an acquisition value greater than $5,000 are capitalized. Items purchased which do not meet this criterion are expensed.

h. Revenue Recognition

Grants and contributions are recognized as revenue when received or unconditionally promised. CPI reports contributions as increases in net assets with donor restrictions if such grants and contributions are received with donor stipulations that limit the use of the donated assets. 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.

Non-cash donations are recorded as contributions at their fair values at the date of receipt.

CPI uses the allowance method to account for uncollectible receivables and contributions. The reserve against contributions receivable is based on historical experience and an evaluation of the outstanding receivables at year end. Management has determined that an allowance for uncollectible receivables was not necessary at December 31, 2018 and 2017.

Contract revenue primarily represents earnings on government grants and professional service contracts and are recognized when CPI incurs the expenditures related to the required services. Amounts billed or received in advance are recorded as deferred revenue until the related services are performed.

i. Functional Expense

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Expenses such as salaries, benefits, and office supplies are allocated among program, general and administrative, and fundraising based on timekeeping records and on estimates made by CPI's management. Operational and depreciation expenses have been allocated on the basis of square footage.

j. Tax Status

CPI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code. Furthermore, it has been determined by the Internal Revenue Service that CPI qualifies as a private operating foundation under Section 4942(j)(3) of the IRC and is subject to Federal excise tax on investment income.

Climate Policy Initiative India Private Limited is a taxable entity in India. Any tax liabilities are accounted for in the consolidated statements. There was no liability for taxes in either 2018 or 2017.

CPI follows the guidance on accounting for uncertainty in income taxes according to Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 740. As of December 31, 2018, and 2017, management has evaluated CPI's tax positions and concluded that CPI had maintained it tax-exempt status and has no uncertain tax positions that require adjustment to the consolidated financial statements.

k. Use of Estimates

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

l. Reclassifications

Certain reclassifications have been made to the 2017 consolidated financial statements in order to conform to the 2018 presentation. These reclassifications had no impact on net assets or the change in net assets.

m. Recent Accounting Pronouncements

Pronouncements Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. As of December 31, 2018, CPI has adopted this pronouncement and presented these consolidated financial statements in accordance with the amendments.

The adoption of this accounting standard changed the terminology used in describing net assets and added a new disclosure (Note 3) that discusses CPI's availability of financial assets and liquidity. In addition, ASU 2016-14 no longer requires investment management and advisory fees to be presented separately from net investment income, therefore investment fees for 2018 and 2017 were reclassified to investment income, net. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of the Consolidated Statement of Functional Expenses and liquidity and availability of resource information as permitted by the ASU.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As of December 31, 2018, CPI has adopted this pronouncement and presented these consolidated financial statements in accordance with the amendments.

Pronouncements effective in the future

In February 2016, FASB issued ASU 2016-02, *Leases*. Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. CPI is currently evaluating the impact on this pronouncement on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU does not apply to transfers of assets from governments to businesses. The amendments in the ASU are effective for fiscal years beginning after December 15, 2018. CPI is currently evaluating the impact of this pronouncement on its consolidated financial statements.

n. Subsequent Events

CPI evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2018 through September 16, 2019, the date the consolidated financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as discussed in Notes 4, 8, and 14 .

Note 3 - Availability of Financial Assets and Liquidity:

The following table reflects CPI's financial assets as of December 31, 2018, reduced by amount not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

CPI's financial assets available within one year of the Consolidated Statements of Financial Position date for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	$ 9,884,060
Restricted cash	1,189,437
Grants and accounts receivable	7,404,857
Investments	2,015,294
Total financial assets	20,493,648
Less amounts not available to be used within one year:	
Long-term grants and accounts receivable	(2,241,934)
Net assets with donor restrictions	(15,183,058)
Add amounts available to be used within one year:	
Net assets with donor restrictions to be met in less than a year	4,906,518
	(12,518,474)
Financial assets available to meet general expenditures over the next twelve months	$ 7,975,174

CPI's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $3,000,000). As part of its liquidity plan, CPI invests its excess cash in short-term investments, including money market funds, U.S. Treasury notes, and corporate bonds as disclosed in Note 5. Restricted cash is expected to be available for general operations in 2019 as discussed in Note 4.

Note 4 - **Grants and Grants Receivable:**

Grants receivable consisted of the following as of December 31, 2018 and 2017:

Year Ending December 31,	2018	2017
2018		$ 2,897,238
2019	$ 5,162,923	1,500,000
2020	2,219,166	
2021	22,768	
	$ 7,404,857	$ 4,397,238

In June 2016, CPI received a grant from the Norwegian Agency for Development Corporation (Norad) for a Productivity Pilot project, enabling a landscape approach to agriculture and ecosystem protection. The total grant is an award of up to $1,929,625 (17,000,000 NOK) through 2020. As of December 31, 2018, and 2017, CPI earned $193,341 and $434,278 under this grant, respectively. Payments received in advance of revenue recognition are recorded as deferred revenue. Total restricted cash held by CPI related to this grant was $382,270 and $372,003 for 2018 and 2017, respectively. On February 2, 2019, Norad agreed with CPI's proposal to terminate this grant, effective May 10, 2019. CPI expects to recover all costs incurred for this project.

In 2014, CPI received a grant from the Children's Investment Fund Foundation (CIFF) in support of a project reconciling food production and forest protection in Brazil. The total grant award of up to $9,000,000 is to be distributed from 2014 to 2017. The period of the project expired in October 2017 but was extended through March 31, 2018, and an additional $100,000 was awarded in 2017. The CIFF grant was recorded as net assets with donor restrictions at acceptance, and CPI received payments of $300,000 and $3,094,617 in 2018 and 2017, respectively. Per conditions of the grant, CPI entered into a conditional subcontract agreement with Agroicone LTDA of up to $5,000,000 to be distributed from 2014 to 2018 upon the subcontractor meeting certain milestones. CPI has paid out $4,660,000 to Agroicone as of the year ended December 31, 2018. There was no amount payable under the subcontract as of December 31, 2018 and 2017. Total restricted cash held by CPI related to this grant was $807,167 and $1,378,438 for 2018 and 2017, respectively.

During 2015, CPI received a conditional grant from an international organization of up to $1,467,683 (1,303,942 EUR) for a five-year project to develop and pilot implementation of a district-level sustainable Oil Palm program in Berau District, East Kalimantan Province, Indonesia. CPI earned and received payments of $434,261 and $421,725 in 2018 and 2017, respectively. Future payments are contingent upon meeting specific milestones and incurring expenses related to the project.

During 2018, CPI received two conditional grants from a foreign government organization. The first grant of up to $9,004,506 (7,999,924 EUR) is a three-year grant to support the implementation of Kenya's Nationally Determined Contribution (NDC) and Climate Change Act. The second grant of up to $2,250,809 (1,999,699 EUR) is a two-year grant to support accelerating climate finance impact to support the momentum of Paris. CPI earned and received payments of $730,593 in 2018. Future payments are contingent upon meeting specific milestones and incurring expenses related to the project.

During 2018, CPI received a conditional grant from a nonprofit organization of up to $365,552 to provide funding to coordinate resources and activities to eliminate the loss and degradation of tropical and sub-tropical forest ecosystems that result from the production of globally traded agricultural commodities by ensuring that key commodities are sourced only from deforestation-free areas. CPI earned and received payment of $146,221 in 2018. Future payments are contingent upon meeting specific milestones and incurring expenses related to the project.

Note 5 - Investments and Fair Value Measurement:

Investments

Investments, at fair value consist of the following at December 31, 2018 and 2017:

	2018	2017
Cash and cash equivalents	$ 87,403	$ 12,467
Fixed income:		
U.S. Treasury notes	638,204	607,966
Corporate and foreign bonds	337,656	430,596
Collateralized mortgage notes	952,031	946,268
Total investments	$ 2,015,294	$ 1,997,297

Fair Value Measurement

Investments, which consist of money market funds and U.S. Treasury notes are valued under fair value measurement using level 1 inputs. CPI's investments in bonds and mortgage notes are classified as level 2 under the fair value hierarchy.

Note 6 - Fixed Assets:

Fixed assets consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Office furniture and equipment	$ 64,592	$ 137,445
Leasehold improvements	236,863	248,122
	301,455	385,567
Less: accumulated depreciation	(170,315)	(184,735)
Total fixed assets, net	$ 131,140	$ 200,832

Total depreciation and amortization expense was $63,035 and $87,867 for 2018 and 2017, respectively.

Note 7 - Net Assets With Donor Restrictions:

As of December 31, 2018 and 2017, net assets with donor restrictions are comprised of:

	2018	2017
India clean energy finance	$ 8,912,504	$ 9,920,170
Climate finance	3,346,548	13,677
Energy finance	1,774,711	546,247
Land use	646,400	527,290
Indonesia	502,895	459,531
Total	$ 15,183,058	$ 11,466,915

During the year ended December 31, 2018 and 2017, net assets were released from restrictions as follows:

	2018	2017
India clean energy finance	$ 1,007,666	$ 606,208
Climate finance	1,114,384	333,023
Energy finance	1,239,501	428,161
Land use	1,136,675	2,998,656
Indonesia	163,256	213,615
Time restrictions expired		875,000
Total	$ 4,661,482	$ 5,454,663

Note 8 - Operating Leases:

CPI leases its office facilities in San Francisco which expires in December 2020. CPI also has operating leases for its office facilities in London, United Kingdom, New Delhi, India, and Jakarta, Indonesia. The approximate minimum payments under these operating leases are as follows:

Year Ending December 31,		
2019	$	353,000
2020		342,000
2021		39,000
Total minimum lease payments	$	734,000

Rent expense for the years ended December 31, 2018 and 2017 was $698,152 and $685,441, respectively.

In March 2019, CPI entered into a sub-sublease agreement with a tenant to sub-sublease a portion of CPI's office space in San Francisco. Monthly rent is $12,400 per month through December 31, 2019 and increases to $12,772 on January 1, 2020. The agreement expires in December 2020.

Note 9 - Employee Benefit Plan:

CPI maintains a defined-contribution retirement plan for all eligible employees. CPI matches employee contributions up to a maximum of six percent of gross earnings, which vests immediately. Total contribution from CPI for the years ended December 31, 2018 and 2017 were $209,851 and $204,180, respectively.

Note 10 - Concentration of Credit Risk:

CPI has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash and contributions receivable.

Periodically, throughout the year, CPI has maintained balances in various operating bank accounts in excess of federally insured limits.

A high concentration of CPI's revenue is derived from grant income; one grantor represents approximately 20% and 36% of CPI's total revenue in the years ended December 31, 2018 and 2017, respectively. There was no amount due from this grantor as of December 31, 2018.

Note 11 - Federal Excise Tax:

In accordance with applicable Treasury regulations, CPI is classified as a private operating foundation subject to an excise tax of 2% on net investment income, including realized gains. CPI is eligible to reduce its tax liability from 2% to 1% of net investment income if a certain level of distributions, calculated as defined in the Treasury regulations, is attained. Regulations require CPI, as a private operating foundation, to maintain minimum expenditures for direct charitable activities. CPI is in compliance with the regulations.

During 2015, CPI applied to the Internal Revenue Service to be reclassified as a public charity as described in sections 509(a)(1) and 170(b)(1)(A)(vi) of the IRC after completion of the sixty-month advance ruling period beginning January 1, 2016 and ending December 31, 2020. On June 8, 2016 the IRS advised CPI that it can be reasonably held that CPI will be expected to terminate its private foundation status and that CPI will be treated as a public charity during the sixty-month advance ruling period.

Note 12 - Foreign Currency Transactions:

CPI has three foreign offices and one foreign-based affiliate. Foreign currency transactions generally consist of funding/payments to the foreign offices and foreign based affiliate, as well as payments to foreign vendors for expenses incurred by foreign offices. Total unrealized and realized loss on foreign currency exchange transactions approximated $87,000 and $31,300 for 2018 and 2017, respectively.

Note 13 - Affiliated Organization:

As of January 2011, CPI entered into a partnership with Pontificia Universidade Catolica de Rio de Janeiro to create a research group called Climate Policy Initiative Rio de Janeiro (CPI Rio de Janeiro). The focus of the research group is the analysis of regulatory and financing policies related to climate protection and low carbon development in Brazil. CPI, through a cooperation agreement with Pontificia Universidade Catolica provides funding to cover the activities of CPI Rio de Janeiro. Total funding provided to CPI Rio de Janeiro was $1,007,200 and $448,520 during 2018 and 2017, respectively.

Note 14 - Subsequent Event:

On September 15, 2019, CPI established Yayasan Cendikia Perebahan Iklim Indonesia (CPI Indonesia), a foundation established under the laws of the Republic of Indonesia. CPI Indonesia was established for operations in Indonesia and CPI has both control and economic interest in CPI Indonesia.