CLIMATE POLICY INITIATIVE, INC.

DECEMBER 31, 2019

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 statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended 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 audit. 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report of Summarized Comparative Information

We have previously audited CPI's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated September 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
June 1, 2020

Climate Policy Initiative, Inc.

Consolidated Statement of Financial Position

December 31, 2019 (with comparative totals for 2018)	2019	2018
Assets		
Cash and cash equivalents	$ 13,913,760	$ 11,073,497
Grants and accounts receivable	4,695,336	7,404,857
Investments	2,112,528	2,015,294
Advanced funding to affiliates	47,671	207,633
Prepaid expenses and other assets	277,525	174,660
Fixed assets, net	77,939	131,140
Total assets	$ 21,124,759	$ 21,007,081
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 520,755	$ 513,014
Payroll related accrued expenses	354,433	330,662
Total liabilities	875,188	843,676
Net Assets:		
Without donor restrictions	5,170,533	4,980,347
With donor restrictions	15,079,038	15,183,058
Total net assets	20,249,571	20,163,405
Total liabilities and net assets	$ 21,124,759	$ 21,007,081

See accompanying notes to consolidated financial statements.

Climate Policy Initiative, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019 (with comparative totals for 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Revenues and Support:				
Support and revenues:				
Grant and contract revenue	$ 6,927,138	$ 6,385,391	$ 13,312,529	$ 14,461,968
Investment income, net	108,939		108,939	30,000
Other income	10,032		10,032	29,739
Net assets released from restrictions	6,489,411	(6,489,411)	-	-
Total Revenue and Support	13,535,520	(104,020)	13,431,500	14,521,707
Expenses:				
Program services	11,303,096		11,303,096	9,693,028
Management and general	1,692,551		1,692,551	1,150,526
Fundraising and development	349,687		349,687	414,547
Total Expenses	13,345,334	-	13,345,334	11,258,101
Change in Net Assets	190,186	(104,020)	86,166	3,263,606
Net Assets, beginning of year	4,980,347	15,183,058	20,163,405	16,899,799
Net Assets, end of year	$ 5,170,533	$ 15,079,038	$ 20,249,571	$ 20,163,405

See accompanying notes to consolidated financial statements.

Climate Policy Initiative, Inc.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019 (with comparative totals for 2018)

	Program Services									
	Climate Finance			Energy	Brazil -		Management	Fundraising	2019	2018
	U.S. and UK	India	Indonesia	Finance	Land Use	Subtotal	and general	and development	Total	Total
Employee related expenses	$ 2,159,834	$ 397,264	$ 276,600	$ 1,099,555	$ 595,176	$ 4,528,429	$ 1,312,179	$ 346,882	$ 6,187,490	$ 6,551,300
Professional services	874,248	1,497,119	91,422	68,552	635,657	3,166,998	572,408		3,739,406	2,297,068
Subcontract expenses	1,173,442	50,000	4,753			1,228,195			1,228,195	508,511
Travel and meetings	195,333	55,182	24,701	92,236	111,344	478,796	44,732	1,450	524,978	430,562
Seminars	28,490	2,692	15,588	479	520	47,769	22,818	42	70,629	40,948
Rent	226,089		12,000		9,348	247,437	556,597		804,034	732,180
Office and telecommunications	77,499	14,782	1,421	145,523	25,573	264,798	318,628	1,304	584,730	434,435
Information technology	462	393		41	687	1,583	38,966		40,549	35,541
Depreciation and amortization						-	53,201		53,201	63,035
Unrealized and realized loss on foreign exchange	24,215	340	(3,079)	(826)	47,487	68,137	14,823	9	82,969	82,180
Value added taxes		(11,036)	4,201			(6,835)	35,988		29,153	82,341
Subtotal	4,759,612	2,006,736	427,607	1,405,560	1,425,792	10,025,307	2,970,340	349,687	13,345,334	11,258,101
Indirect allocation:										
Employee related expenses	192,441	91,468	72,753	130,261	91,600	578,523	(578,523)		-	-
Professional services	35,570	41,781	55,660	11,551	5,656	150,218	(150,218)		-	-
Rent	85,630	50,737	27,573	151,447	76,260	391,647	(391,647)		-	-
Office and telecommunications	18,658	33,620	10,119	34,385	9,412	106,194	(106,194)		-	-
Depreciation and amortization					51,207	51,207	(51,207)		-	-
Subtotal - indirect allocation	332,299	217,606	166,105	327,644	234,135	1,277,789	(1,277,789)	-	-	-
Total	$ 5,091,911	$ 2,224,342	$ 593,712	$ 1,733,204	$ 1,659,927	$ 11,303,096	$ 1,692,551	$ 349,687	$ 13,345,334	$ 11,258,101

See accompanying notes to consolidated financial statements.

Climate Policy Initiative, Inc.

Consolidated Statement of Cash Flows

Year Ended December 31, 2019 (with comparative totals for 2018)	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	$ 86,166	$ 3,263,606
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	53,201	63,035
Unrealized (gain) loss on investments	(26,880)	23,869
Loss on disposal of fixed assets		6,657
Changes in assets and liabilities:		
Grants and accounts receivable	2,666,223	(3,007,619)
Advanced fundings to affiliates	159,962	(9,036)
Prepaid expenses and other assets	(59,567)	(21,582)
Accounts payable and accrued expenses	31,512	227,447
Net cash provided by operating activities	2,910,617	546,377
Cash Flows from Investing Activities:		
Sales of investments	950,903	595,620
Purchases of investments	(1,021,257)	(637,486)
Net cash used in investing activities	(70,354)	(41,866)
Change in Cash and Cash Equivalents	2,840,263	504,511
Cash and Cash Equivalents, beginning of year	11,073,497	10,568,986
Cash and Cash Equivalents, end of year	$ 13,913,760	$ 11,073,497
Components of Cash and Cash Equivalents:		
Cash and cash equivalents	$ 13,913,760	$ 9,884,060
Restricted cash		$ 1,189,437

See accompanying notes to consolidated financial statements.

Note 1 - Organization:

Climate Policy Initiative, Inc. (CPI), 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.

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. CPI Indonesia was inactive through December 31, 2019, pending the finalization of local banking arrangements.

The accompanying consolidated financial statements include all the amounts and operations of Climate Policy Initiative, Climate Policy Initiative India Private Limited, Climate Policy Foundation, and CPI Indonesia (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, 2019 and 2018.

c. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and interest-bearing savings accounts. At December 31, 2019 and 2018, CPI held $0 and $1,189,437 in cash restricted for the use of the Norwegian Agency for Development Cooperation, the Children's Investment Fund Foundation, the Norwegian Ministry of Foreign Affairs, the German Ministry for the Environment, Nature Conservation and Nuclear Safety grants.

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 Statement 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 or timing 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, 2019 and 2018.

Contract revenue primarily represents earnings on professional service contracts and are recognized when CPI incurs the expenditures related to the required services and as performance obligations are satisfied. 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 Consolidated 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, 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.

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 2019 or 2018.

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, 2019, and 2018, management has evaluated CPI's tax positions and concluded that CPI had maintained its 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. Comparative Information and Reclassifications

The consolidated financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with CPI's consolidated financial statements for the year ended December 31, 2018, from which the summarized information is derived.

Certain reclassifications have been made to the 2018 consolidated financial statements in order to conform to the 2019 presentation. These reclassifications had no impact on net assets or changes in net assets.

m. Recent Accounting Pronouncements

Pronouncements Adopted

In June 2018, the FASB issued Accounting Standards Update (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 was adopted as of January 1, 2019. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statement disclosures.

The FASB issued authoritative guidance, *Revenue from Contracts with Customers (Topic 606).* These amendments provide that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance was adopted as of January 1, 2019. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statements or disclosure. Furthermore, analysis of various provisions of this standard resulted in no significant changes in the way CPI recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Pronouncements effective in the future

In February 2016, the 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, 2021. Early adoption is permitted. CPI is currently evaluating the impact on 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, 2019 through June 1, 2020, 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 Note 13.

Note 3 - Grants and Grants Receivable:

Grants receivable consisted of the following as of December 31, 2019 and 2018:

Year Ending December 31,	2019	2018
2019		$ 5,162,923
2020	$ 4,585,077	2,219,166
2021	110,259	22,768
	$ 4,695,336	$ 7,404,857

CPI recognizes contributions when cash, securities or other assets, or an unconditional promise to give, is received. 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.

The following is a roll-forward of eight conditional grants, which future payments are contingent upon meeting specific milestones and incurring expenses related to the projects:

Balance as of December 31, 2018	$ 11,138,381
Conditional grants received during 2019	2,866,948
Revenue recognized for conditions met during 2019	(4,171,311)
Balance as of December 31, 2019	$ 9,834,018

Note 4 - Investments and Fair Value Measurement:

Investments

Investments, measured at fair value, consist of the following at December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 9,124	$ 87,403
Fixed income:		
U.S. Treasury notes	492,673	638,204
Corporate and foreign bonds	942,917	337,656
Collateralized mortgage notes	667,814	952,031
Total investments	$ 2,112,528	$ 2,015,294

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 5 - Fixed Assets:

Fixed assets consisted of the following as of December 31, 2019 and 2018:

	2019	2018
Office furniture and equipment	$ 47,782	$ 64,592
Leasehold improvements	236,863	236,863
	284,645	301,455
Less: accumulated depreciation	(206,706)	(170,315)
Total fixed assets, net	$ 77,939	$ 131,140

Total depreciation and amortization expense was $53,201 and $63,035 for 2019 and 2018, respectively.

Note 6 - Net Assets With Donor Restrictions:

As of December 31, 2019 and 2018, net assets with donor restrictions are comprised of:

	2019	2018
Climate finance - India	$ 6,875,642	$ 8,912,504
Climate finance - US and UK	4,318,789	3,346,548
Energy finance	1,383,488	1,774,711
Land use	2,106,571	646,400
Climate finance - Indonesia	394,548	502,895
Total	$ 15,079,038	$ 15,183,058

During the years ended December 31, 2019 and 2018, net assets were released from restrictions as follows:

	2019	2018
Climate finance - India	$ 1,845,756	$ 1,007,666
Climate finance - US and UK	2,056,436	1,114,384
Energy finance	1,324,988	1,239,501
Land use	1,008,111	1,136,675
Climate finance - Indonesia	254,120	163,256
Total	$ 6,489,411	$ 4,661,482

Note 7 - Availability of Financial Assets and Liquidity:

The following table reflects CPI's financial assets as of December 31, 2019, reduced by amounts 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 Statement of Financial Position date for general expenditures are as follows:

Financial assets at year-end:	
Cash and cash equivalents	$ 13,913,760
Grants and accounts receivable	4,695,336
Investments	2,112,528
Total financial assets	20,721,624
Less amounts not available to be used within one year:	
Net assets with donor restrictions, including long-term receivables	(15,079,038)
Add amounts available to be used within one year:	
Net assets with donor restrictions to be met in less than a year	6,656,631
	(8,422,407)
Financial assets available to meet general expenditures within one year	$ 12,299,217

CPI's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $3,500,000). 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 4.

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,	
2020	$ 386,000
2021	39,000
Total minimum lease payments	$ 425,000

Rent expense for the years ended December 31, 2019 and 2018 was $710,837 and $698,152, respectively, net of rental income from the sub-sublease agreement of $110,362 for the year ended December 31, 2019.

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. The preceding minimum rental commitment amounts have not been reduced by the minimum rentals totaling $153,264 which are to be received in the future under the sub-sublease agreement.

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, 2019 and 2018 were $242,338 and $209,851, 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 13% and 20% of CPI's total revenue in the years ended December 31, 2019 and 2018, respectively.

Note 11 - 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 $83,000 and $82,000 for 2019 and 2018, respectively.

Note 12 - 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 $586,500 and $1,007,200 during 2019 and 2018, respectively. The expenses are a component of the Consolidated Statement of Functional Expenses.

Note 13 - Subsequent Events:

Pandemic and Market Volatility:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency have been declared in many federal, state and local jurisdictions and shelter in place orders have been instituted in many cities and states, including California, which impacts general business operations in most industries and sectors.

CPI has limited employee travel, postponed and canceled events, and developed contingency plans for operations depending on future developments, including having all staff work remotely during this period. Cancelled events include climate industry symposiums offering CPI the opportunity to meet with new and existing funders. In lieu of attending those events, CPI is participating remotely via video and phone conferences with other participants. As a result, anticipated travel expenses are expected to decline.

Subsequent to year end, the Organization applied for and was approved a $316,755 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

In addition, financial markets volatility has significantly increased with general decrease in the value of major market equity indices. A decline in market valuations may negatively impact the value of investment portfolios held by CPI donors. Those declines may result in reduced future funding by donors, though as of this date, CPI has not been advised of any specific reductions in current commitments or of future funding plans.

CPI investments have maintained their value due to the nature of the Investment Policy. As of May 31, 2020, the market value of CPI investments amounted to $2,149,990, an increase of $37,462 (1.8%) over the value of $2,112,528 at December 31, 2019.