

**CLIMATE POLICY INITIATIVE, INC.**

**DECEMBER 31, 2022**

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**INDEPENDENT AUDITORS' REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS**

**HOOD &  
STRONG** LLP  
CERTIFIED PUBLIC ACCOUNTANTS

# Climate Policy Initiative, Inc.

## Independent Auditors' Report and Consolidated Financial Statements

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## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of **CLIMATE POLICY INITIATIVE, INC. (CPI)** which comprise the consolidated statement of financial position as of December 31, 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of CPI as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of CPI 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CPI's ability to continue as a going concern for one year from the date of this report.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

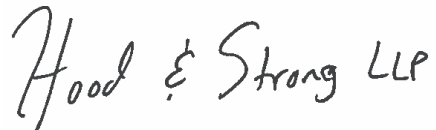
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 CPI'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 CPI'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.

### **Report on Summarized Comparative Information**

We have previously audited CPI's December 31, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
June 29, 2023

# Climate Policy Initiative, Inc.

## Consolidated Statement of Financial Position

<i>December 31, 2022 (with comparative totals for 2021)</i>	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 15,443,965	\$ 16,732,238
Grants and accounts receivable	4,552,123	1,607,151
Investments	7,034,601	5,136,485
Prepaid expenses and other assets	465,471	200,838
Operating right-of-use lease assets	184,262	
<b>Total assets</b>	<b>\$ 27,680,422</b>	<b>\$ 23,676,712</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 490,215	\$ 702,542
Payroll related accrued expenses	418,790	315,734
Operating lease liabilities	184,262	
Refundable advances	58,982	
Deferred revenue	1,102,052	1,158,636
<b>Total liabilities</b>	<b>2,254,301</b>	<b>2,176,912</b>
<b>Net Assets:</b>		
Without donor restrictions	15,139,445	13,012,812
With donor restrictions	10,286,676	8,486,988
<b>Total net assets</b>	<b>25,426,121</b>	<b>21,499,800</b>
<b>Total liabilities and net assets</b>	<b>\$ 27,680,422</b>	<b>\$ 23,676,712</b>

See accompanying notes to the consolidated financial statements.

# Climate Policy Initiative, Inc.

## Consolidated Statement of Activities and Changes in Net Assets

*Year Ended December 31, 2022 (with comparative totals for 2021)*

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue and Support:</b>				
Grant and contract revenue	\$ 5,837,098	\$ 11,775,006	\$ 17,612,104	\$ 14,929,776
Investment loss, net	(100,499)		(100,499)	(22,026)
Other income	64,690		64,690	26,499
Net assets released from restrictions	9,975,318	(9,975,318)	-	-
<b>Total revenue and support</b>	<b>15,776,607</b>	<b>1,799,688</b>	<b>17,576,295</b>	<b>14,934,249</b>
<b>Expenses:</b>				
Program services	12,388,023		12,388,023	12,409,447
Management and general	594,323		594,323	536,686
Fundraising and development	269,850		269,850	194,130
<b>Total expenses</b>	<b>13,252,196</b>	<b>-</b>	<b>13,252,196</b>	<b>13,140,263</b>
<b>Change in Net Assets Before Other Changes in Net Assets</b>	<b>2,524,411</b>	<b>1,799,688</b>	<b>4,324,099</b>	<b>1,793,986</b>
<b>Other Changes in Net Assets:</b>				
Forgiveness of loan payable - Paycheck Protection Program (Note 5)			-	316,755
Unrealized and realized loss on foreign exchange (Note 11)	(397,778)		(397,778)	(777,264)
Restricted grant canceled			-	(8,950)
<b>Total other changes in net assets</b>	<b>(397,778)</b>	<b>-</b>	<b>(397,778)</b>	<b>(469,459)</b>
<b>Change in Net Assets</b>	<b>2,126,633</b>	<b>1,799,688</b>	<b>3,926,321</b>	<b>1,324,527</b>
<b>Net Assets, beginning of year</b>	<b>13,012,812</b>	<b>8,486,988</b>	<b>21,499,800</b>	<b>20,175,273</b>
<b>Net Assets, end of year</b>	<b>\$ 15,139,445</b>	<b>\$ 10,286,676</b>	<b>\$ 25,426,121</b>	<b>\$ 21,499,800</b>

See accompanying notes to the consolidated financial statements.

# Climate Policy Initiative, Inc.

## Consolidated Statement of Functional Expenses

*Year Ended December 31, 2022 (with comparative totals for 2021)*

	Program Services					Management and general	Fundraising and development	2022 Total	2021 Total
	U.S. and UK	Climate Finance India	Indonesia	Brazil Policy Center	Subtotal				
Salaries and benefits	\$ 3,955,958	\$ 755,549	\$ 511,594	\$ 1,441,556	\$ 6,664,657	\$ 564,213	\$ 238,729	\$ 7,467,599	\$ 6,219,308
Professional services	1,282,991	1,506,673	107,358	483,118	3,380,140	429,232		3,809,372	3,709,634
Subcontract expenses	603,272				603,272	6,080		609,352	2,176,014
Travel and meetings	132,376	60,635	19,762	68,985	281,758	77,610		359,368	65,479
Rent					-	263,767		263,767	324,572
Office and telecommunications	29,900	1,287	3,231	23,617	58,035	334,719		392,754	238,385
Information technology	28,143	162		3,219	31,524	156,407		187,931	260,883
Publications and data	36,910	10,510	3,285	52,392	103,097	22,564		125,661	84,214
Depreciation and amortization					-	521		521	46,259
Taxes					-	35,871		35,871	15,515
<b>Subtotal</b>	<b>6,069,550</b>	<b>2,334,816</b>	<b>645,230</b>	<b>2,072,887</b>	<b>11,122,483</b>	<b>1,890,984</b>	<b>238,729</b>	<b>13,252,196</b>	<b>13,140,263</b>
Allocation of support costs:									
Salaries and benefits	199,516	24,902	31,540	25,379	281,337	(293,273)	11,936	-	-
Travel and meetings	56,489	3,032	13,149	694	73,364	(74,373)	1,009	-	-
Professional services	81,504	52,459	50,219	43,086	227,268	(231,073)	3,805	-	-
Rent	123,356	47,370	29,225	46,899	246,850	(252,440)	5,590	-	-
Office and telecommunications	100,865	51,693	39,046	42,266	233,870	(238,546)	4,676	-	-
Information technology	83,022	20,613	6,536	34,145	144,316	(148,006)	3,690	-	-
Publications and data	9,571	3,813	8,777	(18)	22,143	(22,558)	415	-	-
Depreciation and amortization				521	521	(521)		-	-
Taxes		35,300	571		35,871	(35,871)		-	-
<b>Subtotal - allocation of support costs</b>	<b>654,323</b>	<b>239,182</b>	<b>179,063</b>	<b>192,972</b>	<b>1,265,540</b>	<b>(1,296,661)</b>	<b>31,121</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 6,723,873</b>	<b>\$ 2,573,998</b>	<b>\$ 824,293</b>	<b>\$ 2,265,859</b>	<b>\$ 12,388,023</b>	<b>\$ 594,323</b>	<b>\$ 269,850</b>	<b>\$ 13,252,196</b>	<b>\$ 13,140,263</b>

See accompanying notes to the consolidated financial statements.



# Climate Policy Initiative, Inc.

## Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2022 (with comparative totals for 2021)</i>	2022	2021
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 3,926,321	\$ 1,324,527
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of Paycheck Protection Program loan		(316,755)
Depreciation and amortization	521	46,259
Unrealized loss on investments	256,207	112,835
Amortization of operating right-of-use leased assets	41,040	
Changes in assets and liabilities:		
Grants and accounts receivable	(2,944,972)	222,975
Prepaid expenses and other assets	(265,155)	597,349
Accounts payable and accrued expenses	(109,271)	61,306
Operating lease liabilities	(38,064)	
Refundable advances	58,982	
Deferred revenue	(56,584)	178,801
<b>Net cash provided by operating activities</b>	<b>869,025</b>	<b>2,227,297</b>
<b>Cash Flows from Investing Activities:</b>		
Sales of investments	610,146	519,384
Purchases of investments	(2,767,444)	(602,540)
<b>Net cash used in investing activities</b>	<b>(2,157,298)</b>	<b>(83,156)</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(1,288,273)</b>	<b>2,144,141</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>16,732,238</b>	<b>14,588,097</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 15,443,965</b>	<b>\$ 16,732,238</b>
<b>Non-Cash from Operating, Investing and Finance Activities</b>		
Right-of-use asset financed by operating lease liability	\$ 216,154	
<b>Supplemental Disclosure of Cash Activities</b>		
Cash paid under operating right-of-use leases	\$ 44,641	

See accompanying notes to the consolidated financial statements.

# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

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### 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 Washington, D.C., and London, United Kingdom, as well as affiliated offices in Rio de Janeiro, Brazil, New Delhi, India, and Jakarta, Indonesia.

In a prior year, CPI established the following entities to further its programmatic initiatives:

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.

Climate Policy Foundation, an Indian nonprofit 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 and is in the process of being dissolved.

Yayasan Cendikia Pereubahan 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 an economic interest in CPI Indonesia.

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's Climate Finance program is known for tracking sustainable investment trends, identifying innovative business models, and supporting the solutions that can drive a transition to a low carbon, climate resilient economy. CPI conducts the most comprehensive mapping of climate finance flows available and convenes public and private stakeholders to design and implement innovative financial instruments through 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.

# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

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### *Brazil Policy Center*

The Brazil Policy Center combines rigorous economic, institutional, and legal analysis to identify areas for improving public policies and provides concrete recommendations on how to reconcile economic development with environmental conservation. CPI works closely with government agencies and civil society to chart paths for improvement. CPI's Brazil Policy Center focuses on strategic areas, including Climate Law and Governance, Conservation, Energy, Financial Instruments, Infrastructure, and Sustainable Agriculture and is based out the Pontifical Catholic University of Rio de Janeiro (PUC-Rio).

### **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 which may be expended for any purpose in performing the primary objective of CPI.

*Net Assets with donor restrictions* – the portion of net assets the use of which 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 31<sup>st</sup> and CPI Indonesia has a fiscal year ending December 31<sup>st</sup>. These consolidated financial statements include activities for Climate Policy Initiative India Private Limited and CPI Indonesia for the twelve months ended December 31, 2022 and 2021.

#### c. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and interest-bearing savings accounts. At December 31, 2022 and 2021, CPI held \$484,051 and \$60,149, respectively, in cash restricted for the use of the Norwegian Ministry of Foreign Affairs grants.

# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

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d. Grants and Accounts Receivable

Grants and accounts receivable consist primarily of commitments made by governmental entities, nonprofits 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 include certificates of deposits recorded at cost and other investments 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. Leases

Operating right-of-use lease assets represent CPI's right to use an underlying asset during the lease term and operating lease liabilities represent CPI's obligation to make payments arising from those leases. Operating lease assets and operating lease liabilities are included on the Statement of Financial Position. CPI does not have any financing leases.

Operating right-of-use lease assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The discount rate used to derive the present value is based on the rate implicit in the lease, or, in the absence of a rate implicit in the lease, the CPI's incremental borrowing rate. CPI accounts for lease and non-lease components as a single lease component. Renewal periods are included in calculating the right-of-use assets and liabilities when they are reasonably certain of exercise. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

g. 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.

# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

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

h. Fixed Assets

Furniture, equipment, software, and leasehold improvements are stated at cost less accumulated depreciation and amortization. Assets with an acquisition value greater than \$5,000 are capitalized. Items purchased which do not meet this criterion are expensed.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally between three and five years. Leasehold improvements are amortized over the shorter of the remaining term of the lease or the useful life of the improvements.

i. 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 a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Noncash 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, 2022 and 2021.

Contract revenue primarily represents earnings on professional service contracts and is 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.

j. 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.

# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

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### k. 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 that began January 1, 2016 and ended December 31, 2020. On June 8, 2016, the IRS advised CPI that it could be reasonably expected to terminate its private foundation status and that CPI would be treated as a public charity during the sixty-month advance ruling period. CPI submitted the Request for Miscellaneous Determination in March 2021 and received confirmation from the IRS that CPI had terminated its private foundation status and is reclassified as a public charity as of January 1, 2016.

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 at December 31, 2022.

CPI Indonesia is a nonprofit foundation established under the laws of the Republic of Indonesia. The Foundation is subject to income tax on profits derived from consulting service income. In 2022, there was no liability arising from profits on services. As of December 31, 2022, the foundation had a tax liability of \$8,046 related to withholding of personal income tax and third-party fees.

As of December 31, 2022, 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.

### l. 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.

### m. Comparative Information and Reclassifications

The consolidated financial statements include certain comparative prior year information which is presented 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, 2021, from which the summarized information is derived.

Certain reclassifications have been made to the 2021 consolidated financial statements in order to conform to the 2022 presentation. These reclassifications had no effect on net assets or changes in net assets.

# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

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n. Recent Accounting Pronouncements

*Pronouncement Adopted*

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Among other things, lessees are required to recognize the following at the commencement date of all leases not classified as short term: 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 represents the lessee's right to use, or control the use of, a specified asset for the lease term. CPI adopted the ASU as of January 1, 2022, by recording a right-of-use asset and corresponding lease liability in the amount of \$216,154. CPI applied a package of practical expedients to its leases that commenced before the adoption date, electing not to reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. There was no effect on net income, cash flows or net assets as a result of adopting this standard. The prior year information is presented in accordance with Topic 840, as permitted by the ASU.

o. Subsequent Events

CPI evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2022 through June 29, 2023, 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.

**Note 3 - Grants and Accounts Receivable:**

Grants and accounts receivable are expected to be received as follows as of December 31, 2022:

Year Ending	
December 31,	
2023	\$ 3,516,208
2024	1,079,565
	<hr/>
	4,595,773
<u>Discounts on multi-year grants receivable</u>	<u>(43,650)</u>
	<hr/>
	\$ 4,552,123

# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

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 conditional grants, for which future payments are contingent upon meeting specific milestones and incurring expenses related to the projects and are not recognized in the consolidated financial statements:

Balance as of December 31, 2021	\$ 2,982,802
Conditional grants received during 2022	12,173,578
Revenue recognized for conditions met during 2022	(5,365,710)
Cancelled grants	(396,154)
<hr/>	
Balance as of December 31, 2022	\$ 9,394,516

### Note 4 - Investments and Fair Value Measurement:

#### *Investments*

Investments, measured at cost and fair value, consisted of the following at December 31:

	2022	2021
Cash and cash equivalents	\$ 10,095	\$ 23,880
Certificate of deposit	5,013,792	3,006,006
Fixed income:		
U.S. Treasury notes	1,420,595	1,299,954
Corporate and foreign bonds	521,622	599,674
Collateralized mortgage notes	68,497	206,971
<hr/>		
Total investments	\$ 7,034,601	\$ 5,136,485

#### *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. Certificates of deposit are not subject to fair value measurements as they do not meet the definition of an investment.



# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

### Note 5 - Loan Payable – Paycheck Protection Program:

In April 2020, CPI received loan proceeds in the amount of \$316,755 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provided loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses. The loans and accrued interest were forgivable as long as CPI used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained its personnel levels. During the year ended December 31, 2021, CPI received full forgiveness of the loan which is reflected as a component of other income in the Consolidated Statement of Activities and Changes in Net Assets.

### Note 6 - Net Assets With Donor Restrictions:

Net assets with donor restrictions were comprised of the following as of December 31:

	2022	2021
Climate Finance – India	\$ 7,559,648	\$ 4,182,903
Climate Finance – US and UK	642,665	2,363,585
Brazil Policy Center	1,264,352	1,889,519
Climate Finance – Indonesia	820,011	50,981
<b>Total</b>	<b>\$ 10,286,676</b>	<b>\$ 8,486,988</b>

Net assets were released from restrictions as follows during the years ended December 31:

	2022	2021
Climate Finance – India	\$ 2,764,976	\$ 1,664,510
Climate Finance – US and UK	4,268,271	5,049,385
Brazil Policy Center	2,551,796	1,856,568
Climate Finance – Indonesia	390,275	292,051
Diversity, Equity and Inclusion		63,456
<b>Total</b>	<b>\$ 9,975,318</b>	<b>\$ 8,925,970</b>

# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

### Note 7 - Availability of Financial Assets and Liquidity:

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

Financial assets at year end:	
Cash and cash equivalents	\$ 15,443,965
Grants and accounts receivable	4,552,123
Investments	7,034,601
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Total financial assets	27,030,689
Less amounts not available to be used within one year:	
Net assets with donor restrictions, including long-term receivables	(10,286,676)
Add amounts available to be used within one year:	
Net assets with donor restrictions to be met in less than a year	7,206,230
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Financial assets available to meet general expenditures within one year	\$ 23,950,243

As part of its liquidity plan, CPI invests excess cash in short-term investments, including money market funds, certificates of deposit, U.S. Treasury notes, and corporate bonds as disclosed in Note 4.

### Note 8 - Operating Leases:

CPI leases its office space and office equipment under non-cancelable operating lease agreements that expire in various periods through 2025.

Maturities of the operating lease liabilities are as follows:

Year Ending	
December 31,	
2023	\$ 86,359
2024	99,080
2025	3,793
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Total lease payments	\$ 189,232
Less interest	(4,970)
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Present value of lease liabilities	\$ 184,262

# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

The weighted average remaining lease term as of December 31, 2022, was approximately 2 years, 1 month. The weighted average discount rate as of December 31, 2022, was approximately 5.13%.

*Year ended December 31, 2021:*

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases were as follows as of December 31, 2021:

Year Ending December 31,	
2022	\$ 96,000
2023	52,000
2024	59,000
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Total minimum future lease payments	\$ 207,000

Rent expense for the years ended December 31, 2022 and 2021 was \$263,767 and \$324,572, respectively.

### **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, 2022 and 2021 were \$238,071 and \$216,113, 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 of approximately \$5,868,000, approximately \$7,870,000 in excess of UK Financial Services Compensation Scheme insurance, approximately \$153,000 in excess of Deposit Insurance and Credit Guarantee Corporation in India, and approximately \$911,000 in excess of Indonesia Deposit Insurance Corporation .

A high concentration of CPI's revenue is derived from grant income; three grantors and two grantors represented approximately 41% and 32% of CPI's total revenue in the years ended December 31, 2022 and 2021, respectively.

# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

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### **Note 11 - Foreign Currency Transactions:**

CPI has three foreign offices and one foreign-based affiliate, the financial records of which are kept in the local currencies. Foreign currency transactions generally consist of the changing value of foreign currency deposits, funding/payments to the foreign offices and foreign-based affiliates, as well as payments to foreign vendors for expenses incurred by foreign offices. Total unrealized and realized gains or losses on foreign currency exchange transactions of \$397,778 in losses for 2022 and \$777,264 in losses for 2021.

### **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 \$968,000 and \$808,000 during 2022 and 2021, respectively. The expenses are a component of the Consolidated Statement of Functional Expenses.

# Climate Policy Initiative, Inc.

## Notes to the Consolidated Financial Statements

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### Note 13 - Stichting IKEA Foundation Grant:

On August 12, 2022, CPI entered into a grant with the Stichting IKEA Foundation with Grant Reference Number: G-2112-02076. The grant funds a CPI project on an India PURE Finance Facility (IPFF), a private sector-led project preparatory facility managed by CPI supporting promising productive use of renewable energy (PURE) applications in India, that seek to simultaneously address challenges in carbon emissions, energy security and livelihood generation.

For the year ended December 31, 2022, the activity of the project was as follows:

Committed by Stichting IKEA Foundation	\$ 1,500,000
Payments received	(448,471)
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Balance Remaining on Commitment	1,051,529
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<b>Expenses:</b>	
Personnel	34,655
Professional Fees	32,167
Travel	493
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Total Direct Costs	67,315
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Indirect/Overhead (15%)	10,097
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Total Expenses	\$ 77,412
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The expenses are a component of the Consolidated Statement of Functional Expenses.