

CITIZENS' CLIMATE EDUCATION CORP
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

CITIZENS' CLIMATE EDUCATION CORP

	<u>Pages</u>
I Index	1
II Independent auditor's report	2 – 3
III Statements of financial position	4
IV Statements of activities and changes in net assets	5 – 6
V Statements of functional expenses	7 – 8
VI Statements of cash flows	9
VII Notes to the financial statements	10 – 16



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Citizens' Climate Education Corp

We have audited the accompanying financial statements of Citizens' Climate Education Corp, a nonprofit organization, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the 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 the Organization'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 financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizens' Climate Education Corp as of December 31, 2019 and 2018, and the changes in its net assets, functional expenses, and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

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An accountancy corporation

June 6, 2020

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

Page 4

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,148,615	\$ 1,559,439
Receivables	651,211	248,061
Prepaid expenses	116,574	86,126
Due from related party (note 3)	<u>34,053</u>	<u>65,460</u>
	1,950,453	1,959,086
OTHER ASSETS		
Investments (note 4)	18,142	32,538
Other receivables	<u>4,000</u>	<u>17,874</u>
	<u>22,142</u>	<u>50,412</u>
TOTAL ASSETS	<u><u>1,972,595</u></u>	<u><u>2,009,498</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	9,376	30,367
Accrued expenses (note 5)	223,977	269,858
Deferred revenue	<u>176,889</u>	<u>27,677</u>
	410,242	327,902
NET ASSETS (note 6)		
Without donor restrictions	799,334	1,495,638
With donor restrictions	<u>763,019</u>	<u>185,958</u>
	<u>1,562,353</u>	<u>1,681,596</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,972,595</u></u>	<u><u>\$ 2,009,498</u></u>

See accompanying notes

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Page 5

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT			
Contributions and grants	\$ 2,236,994	\$ 2,105,253	\$ 4,342,247
Conference revenue	328,960	-	328,960
Other income	1,864	-	1,864
	<u>2,567,818</u>	<u>2,105,253</u>	<u>4,673,071</u>
NET ASSETS RELEASED FROM RESTRICTIONS (note 6)			
Satisfaction of program restrictions	800,608	(800,608)	-
Expiration of time restrictions	727,584	(727,584)	-
	<u>1,528,192</u>	<u>(1,528,192)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	4,096,010	577,061	4,673,071
EXPENSES			
Program services	3,939,645	-	3,939,645
Management and general	497,075	-	497,075
Development	355,594	-	355,594
	<u>4,792,314</u>	<u>-</u>	<u>4,792,314</u>
CHANGE IN NET ASSETS	(696,304)	577,061	(119,243)
NET ASSETS, BEGINNING OF YEAR	<u>1,495,638</u>	<u>185,958</u>	<u>1,681,596</u>
NET ASSETS, END OF YEAR	<u>\$ 799,334</u>	<u>\$ 763,019</u>	<u>\$ 1,562,353</u>

See accompanying notes

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

Page 6

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT			
Contributions and grants	\$ 2,806,678	\$ 130,000	2,936,678
Conference revenue	303,517	-	303,517
Other income	1,395	-	1,395
	<u>3,111,590</u>	<u>130,000</u>	<u>3,241,590</u>
NET ASSETS RELEASED FROM RESTRICTIONS (note 6)			
Satisfaction of program restrictions	144,042	(144,042)	-
Expiration of time restrictions	1,525,000	(1,525,000)	-
	<u>1,669,042</u>	<u>(1,669,042)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	4,780,632	(1,539,042)	3,241,590
EXPENSES			
Program services	3,640,029	-	3,640,029
Management and general	335,925	-	335,925
Development	313,876	-	313,876
	<u>4,289,830</u>	<u>-</u>	<u>4,289,830</u>
CHANGE IN NET ASSETS	490,802	(1,539,042)	(1,048,240)
NET ASSETS, BEGINNING OF YEAR	<u>1,004,836</u>	<u>1,725,000</u>	<u>2,729,836</u>
NET ASSETS, END OF YEAR	<u>\$ 1,495,638</u>	<u>\$ 185,958</u>	<u>\$ 1,681,596</u>

See accompanying notes

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Page 7

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u>
EXPENSES				
Advertising and marketing	\$ 106,449	\$ -	\$ 53,883	\$ 160,332
Bank and other fees	-	17,074	25,610	42,684
Conference and meetings	567,192	-	-	567,192
Employee benefits	62,096	8,538	6,986	77,620
Insurance	22,881	23,342	924	47,147
Office	33,150	4,558	3,729	41,437
Outreach and education	61,852	-	-	61,852
Payroll taxes	150,965	20,758	16,984	188,707
Professional services	-	120,331	-	120,331
Rent	54,319	7,469	6,111	67,899
Salaries and wages	2,561,860	277,505	227,049	3,066,414
Technology	127,270	17,500	14,318	159,088
Travel	191,611	-	-	191,611
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 3,939,645</u>	<u>\$ 497,075</u>	<u>\$ 355,594</u>	<u>\$ 4,792,314</u>

See accompanying notes

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Page 8

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u>
EXPENSES				
Advertising and marketing	\$ 26,585	\$ -	\$ 26,585	53,169
Bank and other fees	12,924	1,668	27,098	41,689
Conference and meetings	497,575	-	-	497,575
Employee benefits	55,843	5,631	4,934	66,409
Insurance	13,686	13,686	-	27,371
Office	30,297	3,055	2,677	36,029
Outreach and education	181,706	-	-	181,706
Payroll taxes	144,317	14,554	12,752	171,622
Professional services	-	42,342	5,233	47,575
Rent	55,294	5,576	4,886	65,756
Salaries and wages	2,366,997	238,698	209,142	2,814,838
Technology	106,256	10,715	9,389	126,360
Travel	148,550	-	11,181	159,731
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 3,640,029</u>	<u>\$ 335,925</u>	<u>\$ 313,876</u>	<u>\$ 4,289,830</u>

See accompanying notes

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Page 9

	<u>2019</u>	<u>2018</u>
CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (119,243)	\$ (1,048,240)
ADJUSTMENTS TO RECONCILE THE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Donated investments	(291,827)	(337,559)
Change in operating assets and liabilities:		
Receivables	(403,150)	1,291,887
Prepaid expenses	(30,448)	(75,553)
Due from related party	31,407	(65,460)
Other receivables	13,874	(5,182)
Accounts payable	(20,991)	30,367
Accrued expenses	(45,881)	15,764
Deferred revenue	149,212	27,677
	<u>(305,977)</u>	<u>1,219,500</u>
CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES	(597,804)	881,941
NET CASH PROVIDED BY INVESTING ACTIVITIES		
Proceeds on sale of investments	306,223	305,021
NET (DECREASE)/INCREASE IN CASH	(410,824)	138,722
CASH, BEGINNING OF YEAR	<u>1,559,439</u>	<u>1,420,717</u>
CASH, END OF YEAR	<u><u>\$ 1,148,615</u></u>	<u><u>\$ 1,559,439</u></u>

See accompanying notes

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 10

NOTE 1 THE ORGANIZATION

Citizens' Climate Education Corp. (the "Organization") trains individuals to educate political leaders, the media, and the general public about climate change solutions. The Organization's programs explain the many benefits of fair, effective, and transparent climate action. The Organization is nonpartisan and empowers ordinary citizens to become active and effective participants in their democracy. Substantially all of the Organization's support is received as contributions from individuals and foundations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements are prepared using the accrual method in conformity with accounting principles generally accepted (GAAP) in the United States.

Basis of presentation – The Organization follows the recommendation of Financial Accounting Standards Board's (FASB) Financial Statements of Not-For-Profit Organizations for presentation of its financial statements which require that net assets, support, revenue and gains, expenses and losses be classified as with donor restrictions and without donor restrictions.

Estimates – The preparation of financial statements in conformity with GAAP requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair value measurement – The Organization follows accounting standards consistent with the FASB codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Net assets without donor restriction – Net assets without donor restriction represent expendable funds available for operations that are not otherwise limited by donor restrictions. Net assets without donor restriction also include amounts designated for certain purposes by the Board of Directors. At December 31, 2019 and 2018, the Organization had approximately \$799,000 and \$1,496,000 of net assets without donor restriction, respectively.

Net assets with donor restriction – Net assets with donor restriction are consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may recognize the funds or recognize the support. At December 31, 2019 and 2018, the Organization had donor restricted net assets of approximately \$763,000 and \$186,000, respectively.

Cash – The Organization considers financial instruments with a fixed maturity of less than three months to be cash equivalents. The Organization maintains its cash in bank deposit accounts which at times exceed the federally insured deposit limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash. The Organization had approximately \$476,000 and \$1,011,000 in excess of the federally insured deposit limits at December 31, 2019 and 2018, respectively.

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 11

Investments – Investments are carried at fair market value. Income on investments are recognized as revenue in the period it is earned, and realized and unrealized gains and losses are recognized as changes in net assets in the accounting period in which they occur. The Organization receives investments from donors and converts them into cash immediately.

Receivables – For the years ended December 31, 2019 and 2018 pledges receivable consist of approximately \$515,000 and \$65,000, respectively, included in receivables in the statements of financial position. These are stated at the outstanding balances, less an allowance for doubtful accounts. The Organization provides for losses on receivables using the allowance method. The allowance is based on experience. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. For the years ended December 31, 2019 and 2018, management did not write off any amount of its receivables. Receivables also include donations in-transit through the Organization's various payment platforms.

Contributions – Contributions received are considered to be unrestricted and available for general use unless designated by the donor for a specific purpose. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the statement of activities and changes in net assets as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as net assets with donor restrictions and then released from restriction in the same period.

Conditional Grants - During 2019, the Organization received restricted grants approximating \$687,000 that contained donor conditions (primarily matching funds requirements). Since these grants represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. Funds received from the donor in advance of the conditions being met totaled \$137,282 as of December 31, 2019 are recorded as deferred revenue in the statements of financial position and will subsequently be recognized as contribution revenue when donor conditions are met. Of the \$687,000 of restricted grants received in 2019, the Organization recognized approximately \$549,000 as contribution revenue once the donor conditions were met. Also included in deferred revenues are conference fees of approximately \$40,000 and \$28,000 received during the year ended December 31, 2019 and 2018, respectively, for events taking place in a subsequent year.

Functional expense allocation – The Organization allocates its expenses on a functional basis among its program and support services. Directly identifiable expenses are charged to program and supporting services. There are certain categories of expenses that are attributable to more than one program or supporting function and require allocation on a reasonable basis. Expenses such as compensation and benefits, utilities, advertising and marketing and rent are allocated on the basis of estimates of time and effort. Other expenses related to more than one function are charged to program and supporting services on the basis of periodic and expense studies.

Income taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within limitations prescribed by the Code.

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 12

The Organization follows accounting standards which clarify the accounting for uncertainty in income taxes recognized in the Organization's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. As of December 31, 2019, the Organization has not accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20, collectively implemented as FASB Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") Revenue from Contracts with Customers, provides guidance for revenue recognition. This ASC's core principle requires an organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods or services. The standard also clarifies the principal versus agent considerations, providing the evaluation must focus on whether the Organization has control of the goods or services before they are transferred to the customer. The new standard permits the use of either the modified retrospective or full retrospective transition method.

The Organization has performed a review of the new guidance as compared to its current accounting policies, and evaluated all services rendered to its customers as well as underlying contracts to determine the impact of this standard to its revenue recognition process. Upon completion of its review of relevant contracts, the Organization has made a determination that there is no material impact to revenue recognition upon adoption of the new standard.

Additionally, the Organization has identified and implemented changes to its accounting policies and practices, business processes, and controls to support the new revenue recognition standard. The Organization adopted the standard on January 1, 2019, using the modified retrospective transition method.

NOTE 3 RELATED PARTY

The Organization's sister organization, Citizens' Climate Lobby ("CCL"), is a 501(c)(4) organized to lobby for specific climate change solutions. During the years ended December 31, 2019 and 2018, CCL reimbursed the Organization a total of approximately \$573,500 and \$635,500, respectively, for expenses incurred by the Organization on CCL's behalf. During the years ended December 31, 2019 and 2018, the Organization had \$328,960 and \$166,601 of shared conference revenue with CCL, respectively. As of December 31, 2019 and 2018, \$34,053 and \$65,460, respectively, was owed by CCL.

NOTE 4 FAIR VALUE MEASUREMENT

The Organization follows the methods of fair value to value its financial assets and liabilities. Fair value is based on 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. In order to increase consistency and comparability in fair value measurements a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 13

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the higher priority to level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quotes prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

The investments in equities and exchange traded funds are valued at market prices in active markets and have readily determined fair values. The assets are classified as level 1 investments.

Financial assets carried at fair value at December 31, 2019 are classified in the following schedules in one of three categories described above. The table below presents the balances of assets measured at fair values as of December 31, 2019 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Equities	<u>\$ 18,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,142</u>

Financial assets carried at fair value at December 31, 2018 are classified in the following schedules in one of three categories described above. The table below presents the balances of assets measured at fair values as of December 31, 2018 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Equities	\$ 31,012	\$ -	\$ -	\$ 31,012
Exchange traded funds	1,526	-	-	1,526
	<u>\$ 32,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,538</u>

NOTE 5 ACCRUED EXPENSES

Accrued expenses consists of the following:

	<u>2019</u>	<u>2018</u>
Accrued payroll	\$ 101,958	\$ 45,217
Accrued vacation	95,135	66,381
Accrued expenses	17,675	21,268
Credit cards payable	9,209	136,992
	<u>\$ 223,977</u>	<u>\$ 269,858</u>

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 14

NOTE 6 NET ASSETS

Net assets were available for the following purposes as of December 31:

	<u>2019</u>	<u>2018</u>
Without donor restrictions		
Unrestricted and undesignated	\$ 799,334	\$ 1,495,638
With donor restrictions:		
Subject to expenditure for specific purpose:		
General program restrictions	143,603	185,958
Time restrictions	619,416	-
Total net assets with donor restrictions	<u>763,019</u>	<u>185,958</u>
Total net assets	<u><u>\$ 1,562,353</u></u>	<u><u>\$ 1,681,596</u></u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the years ended December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Monthly donation drive	\$ 549,258	\$ -
International projects	133,628	89,042
State initiatives	75,000	-
Young Conservative Lobby Day	20,554	-
Conservative Fellowship	16,168	-
Diversity Fellowship / Scholarships	6,000	10,000
Carbon Pricing Studies	-	15,000
Veteran's outreach	-	30,000
	<u>800,608</u>	<u>144,042</u>
Expiration of time restrictions:		
General support	<u>727,584</u>	<u>1,525,000</u>
	<u><u>\$ 1,528,192</u></u>	<u><u>\$ 1,669,042</u></u>

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 15

NOTE 7 COMMITMENTS

The Organization subleases office space in the District of Columbia under an operating lease. The lease will expire June 30, 2020. The monthly rent is \$4,068.

Additionally, the Organization leases office space in San Diego under an operating lease. The lease will expire November 30, 2020. The base rent is \$2,800 payable every month.

The total rent expense was \$67,899 and \$65,756 for the years ended December 31, 2019 and 2018, respectively.

NOTE 8 LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by contributions with and without restrictions. Contributions and expenses are monitored on a monthly basis by the management and on a quarterly basis by the Organization's leadership and board. The level of assets are monitored on an annual basis. The Organization has historically had an average of approximately \$857,000 in donations without restrictions every year.

The goal is to be able to function within the boundaries of the income received throughout the year. Occasionally, the Organization receives contributions with restrictions. As of December 31, 2019 and 2018, the Organization has approximately \$763,000 and \$186,000, respectively, of net assets with donor restrictions.

These funds can be used for expenditures within the guidelines established by the donor with time or purpose restrictions. Donations without restrictions total approximately \$799,000 and \$1,496,000 as of December 31, 2019 and 2018, respectively. Upon board approval, excess funds may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical course of business.

As part of the Organization's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization manages its liquidity following these guiding principles: operating within a prudent range of financial stewardship and stability and maintaining adequate liquid assets to fund near-term needs, to provide reasonable assurance that long-term obligations will be discharged.

CITIZENS' CLIMATE EDUCATION CORP
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 16

The following reflect the Organization's financial assets as of December 31, 2019 and 2018, reduced by the amounts not available for general use because of donor-imposed restrictions within one year of the statements of financial position date:

Financial assets, at year-end:	2019	2018
Cash	\$ 1,148,615	\$ 1,559,439
Receivables	651,211	248,061
Investments	18,142	32,538
	<u>1,817,968</u>	<u>1,840,038</u>
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions		
Donor-restricted to specific programs	(143,603)	(185,958)
Donor-restricted to time restrictions	(619,416)	-
	<u>(763,019)</u>	<u>(185,958)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,054,949</u>	<u>\$ 1,654,080</u>

NOTE 9 SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 6, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 Coronavirus and the resulting stay-at-home orders issued by the State of California, the state in which the Organization operates, the Organization is experiencing reduced revenues. The duration of the reduction in revenues may be only temporary. However, the related financial impact and duration cannot be reasonably estimated at this time.

On May 7, 2020, the Organization received loan proceeds in the amount of approximately \$570,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after up to twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower reduces salaries or employee counts during the twenty-four week period.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it cannot be assured that the Organization will not take actions that could cause it to be ineligible for forgiveness of the loan, in whole or in part.