

FINANCIAL STATEMENTS

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT**

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT**

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Alliance for Climate Protection DBA The Climate Reality Project
Washington, D.C.

Opinion

We have audited the accompanying financial statements of The Alliance for Climate Protection DBA The Climate Reality Project (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



August 9, 2023

**THE ALLIANCE FOR CLIMATE PROTECTION
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**STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021**

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	24,675,282	\$ 23,762,439
Accounts receivable		1,095	2,848
Pledges receivable		232,832	555,891
Due from related party		55,908	29,128
Prepaid expenses		<u>327,526</u>	<u>347,691</u>
Total current assets		<u>25,292,643</u>	<u>24,697,997</u>
FIXED ASSETS			
Equipment		114,575	114,575
Furniture		427,377	427,377
Computer equipment		291,191	283,587
Leasehold improvements		<u>184,189</u>	<u>184,189</u>
		1,017,332	1,009,728
Less: Accumulated depreciation and amortization		<u>(979,728)</u>	<u>(935,959)</u>
Net fixed assets		<u>37,604</u>	<u>73,769</u>
NONCURRENT ASSETS			
Other assets		95,581	227,177
Right-of-use asset, net		<u>303,841</u>	<u>754,964</u>
Total noncurrent assets		<u>399,422</u>	<u>982,141</u>
TOTAL ASSETS	\$	<u>25,729,669</u>	\$ <u>25,753,907</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	414,800	\$ 421,417
Accrued salaries and related benefits		646,950	558,055
Operating lease liability		<u>448,963</u>	<u>499,477</u>
Total current liabilities		1,510,713	1,478,949
NONCURRENT LIABILITIES			
Operating lease liability, net of current portion		<u>-</u>	<u>448,963</u>
Total liabilities		<u>1,510,713</u>	<u>1,927,912</u>
NET ASSETS			
Without donor restrictions		23,886,990	23,551,640
With donor restrictions		<u>331,966</u>	<u>274,355</u>
Total net assets		<u>24,218,956</u>	<u>23,825,995</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>25,729,669</u>	\$ <u>25,753,907</u>

See accompanying notes to financial statements.

**THE ALLIANCE FOR CLIMATE PROTECTION
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**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 20,145,388	\$ 2,729,160	\$ 22,874,548
Events	172,401	-	172,401
Interest income	148,782	-	148,782
In-kind contributions	119,993	-	119,993
Other revenue	9,822	-	9,822
Net assets released from donor restrictions	<u>2,671,549</u>	<u>(2,671,549)</u>	<u>-</u>
Total support and revenue	<u>23,267,935</u>	<u>57,611</u>	<u>23,325,546</u>
EXPENSES			
Program Services:			
Reality Programs	4,414,469	-	4,414,469
Climate Leadership Corps	7,121,079	-	7,121,079
International Branches	2,948,900	-	2,948,900
Digital Communications	3,839,892	-	3,839,892
Strategic Partnerships	801,311	-	801,311
Climate Speakers Network	548,001	-	548,001
Diversity and Justice	<u>983,304</u>	<u>-</u>	<u>983,304</u>
Total program services	<u>20,656,956</u>	<u>-</u>	<u>20,656,956</u>
Supporting Services:			
Development	895,900	-	895,900
General and Administrative	<u>1,379,729</u>	<u>-</u>	<u>1,379,729</u>
Total supporting services	<u>2,275,629</u>	<u>-</u>	<u>2,275,629</u>
Total expenses	<u>22,932,585</u>	<u>-</u>	<u>22,932,585</u>
Changes in net assets	335,350	57,611	392,961
Net assets at beginning of year	<u>23,551,640</u>	<u>274,355</u>	<u>23,825,995</u>
NET ASSETS AT END OF YEAR	<u>\$ 23,886,990</u>	<u>\$ 331,966</u>	<u>\$ 24,218,956</u>

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 24,661,656	\$ 875,172	\$ 25,536,828
Events	442,098	-	442,098
In-kind contributions	256,297	-	256,297
Other revenue	38,656	-	38,656
Interest income	4,675	-	4,675
Net assets released from donor restrictions	<u>1,060,838</u>	<u>(1,060,838)</u>	<u>-</u>
Total support and revenue	<u>26,464,220</u>	<u>(185,666)</u>	<u>26,278,554</u>
EXPENSES			
Program Services:			
Reality Programs	2,265,423	-	2,265,423
Climate Leadership Corps	6,421,391	-	6,421,391
International Branches	2,363,333	-	2,363,333
Digital Communications	3,747,304	-	3,747,304
Strategic Partnerships	932,278	-	932,278
Climate Speakers Network	416,927	-	416,927
Diversity and Justice	<u>177,726</u>	<u>-</u>	<u>177,726</u>
Total program services	<u>16,324,382</u>	<u>-</u>	<u>16,324,382</u>
Supporting Services:			
Development	705,567	-	705,567
General and Administrative	<u>1,124,398</u>	<u>-</u>	<u>1,124,398</u>
Total supporting services	<u>1,829,965</u>	<u>-</u>	<u>1,829,965</u>
Total expenses	<u>18,154,347</u>	<u>-</u>	<u>18,154,347</u>
Changes in net assets	8,309,873	(185,666)	8,124,207
Net assets at beginning of year	<u>15,241,767</u>	<u>460,021</u>	<u>15,701,788</u>
NET ASSETS AT END OF YEAR	<u>\$ 23,551,640</u>	<u>\$ 274,355</u>	<u>\$ 23,825,995</u>

**THE ALLIANCE FOR CLIMATE PROTECTION
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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services				
	Reality Programs	Climate Leadership Corps	International Branches	Digital Communications	Strategic Partnerships
Salaries	\$ 1,274,252	\$ 2,854,141	\$ 457,026	\$ 1,306,671	\$ 306,137
Meetings and workshops	310,144	2,333,228	7,736	142,232	15,761
Consultants	1,173,051	102,453	-	750,963	-
Grants to international partners	-	14,248	2,236,119	-	140,207
Sponsorship	1,034,357	10,250	-	-	200,000
Other employee benefits	151,920	336,689	54,151	156,292	36,865
Professional services	95,928	301,250	51,649	125,474	23,046
Advertising	-	46,158	-	686,615	-
Payroll taxes	95,209	214,504	34,448	98,725	23,252
Equipment and computers	41,709	174,593	11,642	222,688	7,789
Travel	108,581	184,870	55,086	25,880	13,274
Rent and occupancy	65,142	145,908	23,364	66,799	15,650
Audio, visual, website	-	60,433	-	143,922	-
Telephones and mobile phones	20,473	50,587	5,340	24,403	6,661
Insurance	15,705	54,301	5,633	16,105	3,939
Rights and licenses	-	98,253	-	11,128	-
Publications and subscriptions	12,594	40,192	1,068	6,891	5,609
Bank and interest charges	4	37	82	-	285
Postage and printing	1,762	53,279	721	2,105	423
Media production, design and transmission	-	5,000	-	41,326	-
Depreciation and amortization	5,786	12,961	2,075	5,934	1,390
Miscellaneous	3,650	4,078	1,210	775	-
Office expenses and maintenance	3,033	7,957	1,131	3,765	742
Sustainability and offsets	1,169	15,709	419	1,199	281
TOTAL	\$ 4,414,469	\$ 7,121,079	\$ 2,948,900	\$ 3,839,892	\$ 801,311

See accompanying notes to financial statements.

THE ALLIANCE FOR CLIMATE PROTECTION
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services (Continued)			Supporting Services			Total Expenses
	Climate Speakers Network	Diversity and Justice	Total Program Services	Development	General and Administrative	Total Supporting Services	
Salaries	\$ 370,996	\$ 671,955	\$ 7,241,178	\$ 466,361	\$ 322,320	\$ 788,681	\$ 8,029,859
Meetings and workshops	14,449	14,265	2,837,815	24,929	99,434	124,363	2,962,178
Consultants	200	750	2,027,417	121,686	402,501	524,187	2,551,604
Grants to international partners	-	-	2,390,574	-	-	-	2,390,574
Sponsorship	6,000	10,000	1,260,607	-	-	-	1,260,607
Other employee benefits	44,710	80,131	860,758	55,386	36,642	92,028	952,786
Professional services	27,929	50,586	675,862	35,925	145,377	181,302	857,164
Advertising	250	-	733,023	98	717	815	733,838
Payroll taxes	27,876	50,831	544,845	35,401	23,261	58,662	603,507
Equipment and computers	9,439	17,108	484,968	27,400	49,131	76,531	561,499
Travel	9,540	23,245	420,476	17,317	91,404	108,721	529,197
Rent and occupancy	18,966	34,351	370,180	23,841	98,721	122,562	492,742
Audio, visual, website	-	-	204,355	-	5,615	5,615	209,970
Telephones and mobile phones	6,367	11,474	125,305	9,483	17,527	27,010	152,315
Insurance	4,573	8,282	108,538	5,748	23,801	29,549	138,087
Rights and licenses	-	-	109,381	-	1,178	1,178	110,559
Publications and subscriptions	755	3,868	70,977	4,934	3,932	8,866	79,843
Bank and interest charges	17	-	425	55,919	14,918	70,837	71,262
Postage and printing	513	929	59,732	7,048	2,670	9,718	69,450
Media production, design and transmission	-	-	46,326	-	-	-	46,326
Depreciation and amortization	1,685	3,051	32,882	2,118	8,769	10,887	43,769
Miscellaneous	1,100	250	11,063	553	25,443	25,996	37,059
Office expenses and maintenance	883	1,612	19,123	1,325	4,596	5,921	25,044
Sustainability and offsets	1,753	616	21,146	428	1,772	2,200	23,346
TOTAL	\$ 548,001	\$ 983,304	\$ 20,656,956	\$ 895,900	\$ 1,379,729	\$ 2,275,629	\$ 22,932,585

See accompanying notes to financial statements.

**THE ALLIANCE FOR CLIMATE PROTECTION
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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services				
	Reality Programs	Climate Leadership Corps	International Branches	Digital Communications	Strategic Partnerships
Salaries	\$ 1,131,694	\$ 2,608,596	\$ 350,222	\$ 1,148,205	\$ 531,764
Meetings and workshops	466,915	2,402,176	9,476	40,468	3,099
Grants to international partners	-	-	1,822,033	-	-
Advertising	4,427	80,422	164	1,068,003	46
Consultants	146,300	57,161	-	681,888	-
Other employee benefits	122,889	285,645	38,202	123,856	58,478
Payroll taxes	84,028	194,257	26,187	84,687	39,931
Rent and occupancy	65,161	150,199	20,165	66,112	30,618
Professional services	59,193	151,935	46,123	59,336	27,480
Equipment and computers	27,778	76,711	7,689	222,630	11,649
Sponsorship	-	25,000	-	-	199,750
Audio, visual, website	-	69,142	-	127,854	-
Telephones and mobile phones	23,350	56,659	8,761	22,471	10,459
Travel	95,036	2,344	24,652	850	4,186
Rights and licenses	36	151,479	-	15	-
Insurance	13,539	31,209	4,190	13,737	6,362
Publications and subscriptions	9,901	18,894	528	49,574	3,629
Bank and interest charges	5	21	32	-	9
Office expenses and maintenance	2,237	35,617	740	2,360	1,051
Depreciation and amortization	5,445	12,550	1,685	5,524	2,558
Media production, design and transmission	1,050	1,500	-	26,333	-
Miscellaneous	4,014	1,629	1,500	941	69
Postage and printing	1,289	5,165	633	1,308	606
Sustainability and offsets	1,136	3,080	351	1,152	534
TOTAL	\$ 2,265,423	\$ 6,421,391	\$ 2,363,333	\$ 3,747,304	\$ 932,278

See accompanying notes to financial statements.

THE ALLIANCE FOR CLIMATE PROTECTION
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services (Continued)			Supporting Services			Total Expenses
	Climate Speakers Network	Diversity and Justice	Total Program Services	Development	General and Administrative	Total Supporting Services	
Salaries	\$ 287,752	\$ 131,877	\$ 6,190,110	\$ 386,839	\$ 457,109	\$ 843,948	\$ 7,034,058
Meetings and workshops	20,000	-	2,942,134	22,922	12,904	35,826	2,977,960
Grants to international partners	-	-	1,822,033	-	-	-	1,822,033
Advertising	-	-	1,153,062	5,136	1,305	6,441	1,159,503
Consultants	-	-	885,349	79,698	126,604	206,302	1,091,651
Other employee benefits	31,427	14,085	674,582	42,235	44,749	86,984	761,566
Payroll taxes	21,454	9,338	459,882	28,830	31,107	59,937	519,819
Rent and occupancy	16,568	7,593	356,416	22,274	129,566	151,840	508,256
Professional services	14,870	6,815	365,752	19,991	116,286	136,277	502,029
Equipment and computers	6,304	2,889	355,650	22,521	49,297	71,818	427,468
Sponsorship	-	-	224,750	-	-	-	224,750
Audio, visual, website	-	-	196,996	-	4,800	4,800	201,796
Telephones and mobile phones	5,993	2,080	129,773	8,697	27,083	35,780	165,553
Travel	2,297	-	129,365	117	35,901	36,018	165,383
Rights and licenses	-	-	151,530	-	1,859	1,859	153,389
Insurance	3,443	1,578	74,058	4,628	26,921	31,549	105,607
Publications and subscriptions	399	183	83,108	1,447	3,118	4,565	87,673
Bank and interest charges	-	-	67	36,163	12,857	49,020	49,087
Office expenses and maintenance	569	372	42,946	1,264	4,448	5,712	48,658
Depreciation and amortization	1,384	634	29,780	1,861	10,818	12,679	42,459
Media production, design and transmission	-	-	28,883	12,500	1,060	13,560	42,443
Miscellaneous	2,225	-	10,378	207	21,787	21,994	32,372
Postage and printing	328	150	9,479	7,849	2,564	10,413	19,892
Sustainability and offsets	1,914	132	8,299	388	2,255	2,643	10,942
TOTAL	\$ 416,927	\$ 177,726	\$ 16,324,382	\$ 705,567	\$ 1,124,398	\$ 1,829,965	\$18,154,347

See accompanying notes to financial statements.

**THE ALLIANCE FOR CLIMATE PROTECTION
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**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 392,961	\$ 8,124,207
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	43,769	42,459
Receipt of donated securities	(7,065,426)	(7,176,659)
Proceeds from the sale of donated securities	7,065,426	6,925,831
Realized loss on sale of donated securities	-	250,828
Amortization of right-of-use asset	451,123	424,836
Decrease (increase) in:		
Accounts receivable	1,753	28,968
Pledges receivable	323,059	(293,016)
Due from related party	(26,780)	273,623
Prepaid expenses	20,165	(91,730)
Other assets	131,596	4,157
(Decrease) increase in:		
Accounts payable and accrued liabilities	(6,617)	297,297
Accrued salaries and related benefits	88,895	14,151
Operating lease liability	(499,477)	(460,039)
Net cash provided by operating activities	<u>920,447</u>	<u>8,364,913</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(7,604)</u>	<u>-</u>
Net cash used by investing activities	<u>(7,604)</u>	<u>-</u>
Net increase in cash and cash equivalents	912,843	8,364,913
Cash and cash equivalents at beginning of year	<u>23,762,439</u>	<u>15,397,526</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 24,675,282</u>	<u>\$ 23,762,439</u>

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Alliance for Climate Protection DBA The Climate Reality Project (the Organization) is a not-for-profit organization that was formed in the District of Columbia. It was originally headquartered in Menlo Park, California, and relocated to Washington, D.C. in 2009. As an entity, it was originally incorporated in 2005 as the "Climate Project" which conducted charitable activities. On April 13, 2007, the entity received approval for a name change to "The Alliance for Climate Protection" (ACP).

To maximize the climate awareness and activism created by his Academy Award-winning film, *An Inconvenient Truth*, former US Vice President Al Gore founded The Alliance for Climate Protection (ACP) as a mass communications project to build support and lay political groundwork to address climate change. At the same time, he founded The Climate Project (TCP) as an educational grassroots organization training volunteers to give the presentation featured in the film. ACP and TCP merged in 2010, and began operating under the trade name "The Climate Reality Project" in 2011.

Led by Al Gore, the original, consummate trusted messenger on climate, the Organization is catalyzing a global solution to the climate crisis by making urgent action a necessity across every level of society. With a global network of advocates, successful local activist chapters, and a demonstrated ability to connect with high-ranking influencers, all supported by dynamic communications initiatives, the Organization is building the social and political will to solve this urgent crisis.

Description of program and supporting services:

The following program and supporting services are included in the accompanying financial statements:

Reality Programs: Each year, the Organization produces and participates in a number of programs to inform and inspire action to avert the climate crisis. The Organization launched "Our Climate Moment: Let's Get to Work" in 2021 to mobilize public support for federal climate policy in the US—volunteers helped achieve historic climate legislation in 2022. Globally, the organization helped make salient the need for climate finance reform after founder Al Gore called out now-former World Bank President David Malpass as a climate denier. Climate Reality also hosted 24 Hours of Reality: Spotlight on Solutions and Hope. The virtual program traveled around the world hearing stories from advocates creating real climate solutions in their communities, sharing inspiration and practical steps to help people across the planet get involved and make change where they live.

Climate Leadership Corps: The Climate Reality Leadership Corps unites global citizens from all walks of life who share a common passion for the climate. Leaders begin with a multi-day training on climate science, communication, and activism led by former US Vice President Al Gore. After completing the training, Climate Reality Leaders return to their communities to engage their peers using a wide array of advocacy tools and activities.

In 2022, the organization hosted 3 Climate Reality Leadership Corps trainings, expanding membership in the global volunteer network to over 45,000 members in 190 countries. In Las Vegas, the organization hosted a bilingual training for 356 participants—it was the first in-person training since 2019. Then 7,000 registered to attend a virtual training in Brazil. Finally, the organization welcomed 325 activists to Houston for a Power Up training, launching a new training product to level-up skills for experienced climate advocates.

**THE ALLIANCE FOR CLIMATE PROTECTION
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Organization (continued) -

Climate Leadership Corps (continued): Climate Reality Leaders engaged in numerous campaigns around the world in 2022. In the US, chapters are the Organization's most vibrant platforms for collective action, engaging Climate Reality Leaders alongside members of the public from their local area in self-determined campaigns. With this chapter program, the Organization provides the resources, network, and infrastructure to support local groups of activists pursue common goals together. Established in late 2017, the program has grown to 115 chapters in 38 states powered by more than 18,000 members.

International Branches: The Organization's 10 international branches are helping actors in their countries build, implement, and stay accountable to various climate commitments they have made, many of which contribute to national commitments to the historic Paris Agreement in 2015. Branch offices are mobilizing Climate Reality Leaders and engaging elite stakeholders, educating, and building strong public awareness and popular support for climate action in countries and regions that shape public opinion. Branch offices are located in Africa, Australia & the Pacific, Brazil, Canada, Europe, India & South Asia, Indonesia, Japan, Latin America, and the Philippines. Together, these branch offices work cooperatively on regional or global campaigns and international policy under the UN framework. The Climate Reality Project also maintains a media partnership with Phoenix New Media in China, providing a platform for education and stakeholder engagement in China, particularly for the business sector.

Digital Communications: The Organization creates and shares informative, accessible, and engaging content through a range of media channels to raise awareness of the climate crisis, help people understand what it means for their own lives, and inspire them to participate in our campaigns and initiatives. Each month, people around the world access the Organization's blogs, social media, videos, e-books, and fact sheets to learn the basics of climate science and the latest developments in climate policy and solutions. In addition, the Organization's digital advocacy campaigns harness the power of digital media to raise awareness and inspire audiences to act, driving change online and in the halls of power worldwide.

Strategic Partnerships: The Organization partners with organizations across the climate community and beyond to develop joint outreach and events that enable them to leverage each partner's strengths and expertise and open doors to new audiences to amplify their message and create an even greater impact together. Through the Climate Justice Grants program, the Organization supports grassroots partners fighting for environmental justice and brings frontline leaders and communities of color to the forefront of the climate movement.

Climate Speakers Network: The Organization collaborates with diverse partners including faith-based groups and social justice organizations to design and deliver community specific climate change curriculum and workshops. CSN workshops aim to turn awareness into action and inspire communities to fight for a healthy, equitable and sustainable future, around the world and around the block. The Organization has also partnered with the World Economic Forum's Global Shapers, members of a worldwide network of over 10,000 young change-makers, on climate communication and activism. The partnership has helped produce a wide range of community-based climate projects, including tackling illegal wood cutting and deforestation in Armenia, a documentary on riverine communities in the Brazilian Amazon, an online tool to help consumers calculate the environmental impacts of their fashion choices and behaviors, and a tool to assist in hosting sustainable events and calculating carbon emissions.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Organization (continued) -

Diversity and Justice: This burgeoning vertical was initiated with the goal of developing more intentional internal and external policy and practice around justice, equity, diversity, and inclusion – within the vertical sits the Climate and Environmental Justice team as well as 3 other teams that work on external outreach and partnerships for the organization. All the work within these teams is done with a cross-collaborative frame – and focus on the communities that are most vulnerable to climate and environmental degradation. These communities, in the United States are often poor, Indigenous, or other communities of color that are subject to the historical conditions of environmental racism. On the international front, the focus is on youth and the Global South – again, among the most susceptible to climate and environmental injustice. Externally the work is intersectional – and involves working with organizations who focus on an intersectional environmentalist approach, e.g., interfaith, affordable housing, migration, health, and social justice. The program is also making climate educational content accessible to people who are differently abled and those with first languages other than English. The program has led workshops on power dynamics, accessibility during environmental disasters and how to mitigate stereotyping in our work and movements. The most prominent bespoke workshop was developed to curate together with the international branches, climate justice programming in their countries and/or regions.

Development: Development, through its fundraising efforts, provides the structure necessary to encourage and secure financial support from individuals, foundations, and business entities.

General and Administrative: General and administrative includes the functions necessary to maintain an adequate working environment, provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; maintain competent supporting services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Basis of presentation (continued) -

- **Net Assets with Donor Restrictions (continued)** - Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncement adopted -

During the year ended December 31, 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments acquired by gift are recorded at their fair value at the date of the gift. The Organization's policy is to liquidate all gifts of investments as soon as possible after the gift.

Receivables -

Receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$2,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the years ended December 31, 2022 and 2021 totaled \$43,769 and \$42,459, respectively.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Uncertain tax positions -

For the years ended December 31, 2022 and 2021, the Organization has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

In accordance with the FASB ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, the Organization presents debt issuance costs in the financial statement as a direct deduction from the related debt liability. Amortization of the costs is reported as interest expense.

Grants and contributions -

The majority of the Organization's activities are supported by grants and contributions from individuals and private entities. These awards are for various activities performed by the Organization. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants and contributions qualifying as conditional contributions contain a right of return from obligation provision that limits the Organization on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. The Organization recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. The Organization had no unrecognized conditional awards as of December 31, 2022 and 2021.

Events -

Events revenue is classified as an exchange transaction which follows ASU 2014-09, *Revenue from Contracts With Customers*, and is recorded as revenue at a point in time when the performance obligations are met which is when the related event has occurred. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is determined based on cost and/or sales price. Revenue received in advance of the events are recorded as deferred revenue in the accompanying Statements of Financial Position.

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**NOTES TO FINANCIAL STATEMENTS
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Events (continued) -

Receivables from contracts with customers and deferred revenue were \$1,095 and \$0 as of December 31, 2020.

In-kind contributions -

In-kind contributions consist of broadcast services, food service and supplies. In-kind contributions are recorded at their fair value as of the date of the gift. In-kind contributions during the years ended December 31, 2022 and 2021 totaled \$119,993 and \$256,297, respectively.

In addition, volunteers have donated significant amounts of their time to the Organization; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising -

The Organization expenses advertising costs as incurred. Advertising expense was \$733,838 and \$1,159,503 for the years ended December 31, 2022 and 2021, respectively.

Grants and scholarships -

The Organization has partnered with several other not-for-profit organizations to help further the message of climate protection. Grants awarded to these organizations are recorded as expenses at the time the grants are awarded. Scholarships are awarded to aid worthy attendees of the Climate Reality Leadership Trainings.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organization are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Organization for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Organization plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

	2022	2021
Subject to Expenditure for Specified Purpose	\$ <u>331,966</u>	\$ <u>274,355</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2022	2021
Purpose Restrictions Accomplished	\$ <u>2,671,549</u>	\$ <u>1,060,838</u>

3. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	2022	2021
Cash and cash equivalents	\$ 24,675,282	\$ 23,762,439
Accounts receivable	1,095	2,848
Pledges receivable	232,832	555,891
Due from related party	<u>55,908</u>	<u>29,128</u>
Subtotal financial assets available within one year	24,965,117	24,350,306
Less: Donor restricted funds	<u>(331,966)</u>	<u>(274,355)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>24,633,151</u>	\$ <u>24,075,951</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due.

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4. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2022 and 2021, the Organization was the beneficiary of donated goods and services which allowed the Organization to provide greater resources toward various programs. There were no donor-imposed restrictions associated with the in-kind contributions during the years ended December 31, 2022 and 2021. Donated advertisements are valued based on the actual value that would have been charged by the vendor for similar advertisements. To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended December 31, 2022 and 2021.

	2022	2021
Donated advertisements	\$ 119,993	\$ 250,000
Other donations	-	6,297
TOTAL	\$ 119,993	\$ 256,297

The following programs have benefited from these donated services:

	2022	2021
Digital Communications	\$ 119,993	\$ 250,000
Development	-	6,297
TOTAL	\$ 119,993	\$ 256,297

5. LEASE COMMITMENTS

On October 16, 2018, the Organization entered into an agreement to lease office space beginning February 1, 2019 and expiring October 31, 2023. Base rent is \$41,810 per month, plus a proportionate share of expenses, increasing by a factor of 2.5% per year. The lease includes four months of abated rent in the the first year of the lease. Additionally, the landlord provided a \$93,780 tenant leasehold improvement allowance.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosure of key information about leasing arrangements. The Organization elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

The Organization adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, the Organization recorded a right-of-use asset in the amount of \$1,939,317 net of the landlord allowance of \$93,780. The Organization recorded an operating lease liability in the amount of \$2,033,097 by calculating the present value using the discount rate of 5.5%.

The lease cost, including imputed interest and amortization of the right-of-use asset for the years ended December 31, 2022 and 2021, was \$492,742 and \$508,256, respectively, and is included in rent and occupancy expense in the accompanying Statements of Functional Expenses.

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5. LEASE COMMITMENTS (Continued)

The future minimum lease payments (shown below) reflect the rental payments through the termination date of the new lease.

Year Ending December 31, 2023	\$ 460,381
Less: Imputed interest	<u>(11,418)</u>
CURRENT PORTION	<u>\$ 448,963</u>

6. RETIREMENT PLAN

The Organization sponsors a defined contribution 401(k) profit sharing plan that covers all employees. Participants may elect to defer a portion of their salary and contribute it to the retirement trust. Additionally, the Organization matches up to 6% of the employee's eligible earnings. Contributions to the Plan during the years ended December 31, 2022 and 2021 totaled \$304,902 and \$308,495, respectively, and are included in other employee benefits in the accompanying Statements of Functional Expenses.

7. RELATED PARTY

The Organization is affiliated with the Climate Reality Action Fund (the Action Fund). The Action Fund is a non-profit organization, incorporated in the District of Columbia, and its works make climate action the top priority in American politics. One officer of the Organization is also an officer of the Action Fund.

The Organization has a resource sharing and expense reimbursement agreement with the Action Fund. The Organization provides certain management and administrative services including common facilities, personnel, and operating activities. The Action Fund agrees to bear and pay its allocable share of the costs incurred by the Organization.

As of December 31, 2022 and 2021, the Action Fund owed the Organization \$55,908 and \$29,128, respectively.

8. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 9, 2023, the date the financial statements were issued.