CLIENTEARTH USA, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

FARBER HASS HURLEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position as of December 31, 2022	3
Statement of Activities and Changes in Net Assets for the year ended December 31, 2022	4
Statement of Functional Expenses for the year ended December 31, 2022	5
Statement of Cash Flows for the year ended December 31, 2022	6
Notes to the Financial Statements	7

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
ClientEarth USA, Inc.

Opinion

We have audited the accompanying financial statements of ClientEarth USA, Inc., which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 ClientEarth USA, Inc., 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ClientEarth USA, Inc. 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 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 ClientEarth USA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 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 ClientEarth USA, Inc.'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 ClientEarth USA, Inc.'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.



Farber Hass Hurley LLP

Chatsworth, California
October 18, 2023

CLIENTEARTH USA, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

		2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$	5,733,037
Pledges and grants receivable, net current portion		1,314,960
Prepaid expenses		34,147
Total current assets		7,082,144
Non-Current Assets:		
Furniture and equipment		118,565
Less accumulated depreciation		2,048
		116,517
Right of use asset		449,269
Deposit		17,952
Pledges and grants receivable, net of current portion		667,272
Total non-current assets		1,251,010
TOTAL ASSETS	$	8,333,154
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$	117,009
Lease liability, current portion		158,151
Total current liabilities		275,160
Lease liability, net of current portion		330,373
Total liabilities		605,533
Net Assets:		
Net assets without donor restrictions		3,192,424
Net asset with donor restrictions		4,535,197
Total net assets		7,727,621
TOTAL LIABILITIES AND NET ASSETS	$	8,333,154

See accompanying notes to the financial statements.

CLIENTEARTH USA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Net assets without donor restrictions	Net assets with donor restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	$ 950,703	$ 4,064,381	$ 5,015,084
In-kind donations	54,915	-	54,915
Other income	282	-	282
Net assets released from donor restrictions	1,871,425	(1,871,425)	-
TOTAL REVENUE AND SUPPORT	2,877,325	2,192,956	5,070,281
EXPENSES			
Program services	2,334,621	-	2,334,621
Management and general services	220,219	-	220,219
Fundraising expenses	294,546	-	294,546
TOTAL EXPENSES	2,849,386	-	2,849,386
CHANGE IN NET ASSETS	27,939	2,192,956	2,220,895
NET ASSETS- Beginning of the year	3,164,485	2,342,241	5,506,726
NET ASSETS- End of the year	$ 3,192,424	$ 4,535,197	$ 7,727,621

See accompanying notes to the financial statements.

CLIENTEARTH USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Management and General Services	Fundraising Expenses	Total Expenses
	General Program	USA Programs	Total Program			
FUNCTIONAL EXPENSES						
Salaries, payroll taxes, and benefits	$ 171,960	$ 71,121	$ 243,081	$ 108,450	$ 202,384	$ 553,915
Computer and internet	-	-	-	3,703	-	3,703
Grants to affiliates	1,958,947	-	1,958,947	-	-	1,958,947
Insurance	12,855	-	12,855	6,955	-	19,810
Accounting and audit fees	-	13,043	13,043	64,117	-	77,160
Rent and office expenses	29,452	-	29,452	21,637	20,095	71,184
Postage	-	-	-	76	-	76
Professional fees	73,353	-	73,353	6,727	-	80,080
Fundraising expenses	-	-	-	-	41,354	41,354
Depreciation	-	-		2,048	-	2,048
Travel, meetings, and conferences	3,890	-	3,890	6,506	30,713	41,109
TOTAL EXPENSES	$ 2,250,457	$ 84,164	$ 2,334,621	$ 220,219	$ 294,546	$ 2,849,386

See accompanying notes to the financial statements.

CLIENTEARTH USA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 2,220,895
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,048
Restricted contributions	(1,350,000)
Changes in operating assets and liabilities:	
Accounts receivable due from affiliate	25,745
Prepaid Expenses	(34,147)
Right of use asset and lease liability	39,255
Contributions and grants receivable	(94,716)
Deposits	(17,952)
Accounts payable and accrued expenses	57,262
Grants payable - related party	(2,272,237)
CASH USED FOR OPERATING ACTIVITIES	(1,423,847)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(117,543)
CASH USED FOR INVESTING ACTIVITIES	(117,543)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from restricted contributions	1,350,000
CASH PROVIDED BY FINANCING ACTIVITIES	1,350,000
NET DECREASE IN CASH	(191,390)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,924,427
CASH AND CASH EQUIVALENTS AT YEAR END	$ 5,733,037
SUPPLEMENTAL CASH FLOW INFORMATION:	
Interest paid	$ -
Taxes paid	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:	
Obtaining a right-of-use asset in exchange for a lease liability	$ 497,736

See accompanying notes to the financial statements.

Note 1. Significant Accounting Policies

Nature of the Organization

ClientEarth USA, Inc. (the "Organization") was established in November 2015 under the not-for-profit corporation law in the State of Delaware. ClientEarth USA, Inc. is affiliated with ClientEarth, a private company limited by guarantee incorporated in England and Wales ("ClientEarth England"), and its subsidiaries (e.g., ClientEarth Belgium, ClientEarth Germany, ClientEarth Poland) and its representative offices in China and Spain. The Organization's mission is to use the power of law to bring about systemic change that protects the earth for-and-with-its inhabitants. Their vision is a world protected by robust laws where people and nature thrive together.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Net Asset Classifications

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restriction - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific purposes from time to time.

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specific by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Basic Financial Assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortized cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one (1) year are not amortized.

Basic Financial Liabilities

Basic financial liabilities, including creditors are initially recognized at transaction price unless the arrangement constitutes financing transactions, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one (1) year are not amortized.

Note 1. Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all short-term debt securities purchased with an initial maturity of three (3) months or less to be cash equivalents. At times during the year, the Organization maintains cash balances at financial institutions which exceed the Federal Deposit Insurance Corporation ("FDIC") limits. Management does not believe that the Organization is subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships. The Organization has not experienced any losses on its cash or cash equivalents.

Program Services

The Organization and its affiliates around the globe deliver strategies to fight climate change. The Organization uses the law to drive positive and lasting change. As part of this ambition, the Organization provides grants to its affiliates that are recorded as grant expenses in their Statement of Functional Expenses.

The Organization's program activities in the United States include (1) striving to establish accountability for misleading claims related to fossil gas by challenging its promotion as a "clean" and appropriate fuel for the energy transition, and (2) submitting public comments to government rulemaking processes relevant to climate change.

Estimates and Assumptions

The preparation of financial statements in accordance with U.S. GAAP 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 revenues and expenses, gains, and other support during the period. Actual results could differ from those estimates.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one (1) year at net realizable value. When such promises are expected to be received in more than one (1) year, they are stated at net present value of estimated future cash flows. The Organization determines the allowance for uncollectible promises to give based on prior years' experience and management's analysis of specific promises made. Promises to give are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Fair Value of Financial Instruments

The Organization's carrying value of financial instruments approximates their fair values. The carrying values of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value because of the short-term maturity of these instruments.

Note 1. Significant Accounting Policies (continued)

Measure of Operations

The Statement of Activities reports all changes in net assets, including changes in net assets from operating and non-operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Organization received a determination letter from the Internal Revenue Service ("IRS") in May 2016 and has been classified as an organization other than a private foundation. The Organization believes it is no longer subject to examination from taxing authorities for the years prior to 2019.

Management of the Organization has evaluated its tax positions and related income tax contingencies and does not believe that any material uncertain tax positions exist that require recognition or disclosure in the financial statements.

Contributions and Donations

The Organization recognizes contributions and donations when cash, securities or other assets are received; an unconditional promise to give; or a notification of a beneficial interest 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.

In-Kind Contribution

The Organization's policy is to recognize in-kind goods when donated as revenue at fair value in the period such contributions are made.

The Organization receives certain contributed services that meet the criteria established by U.S. GAAP for recognition as contributions. Such services, primarily legal services, are reflected as in-kind donations on the accompanying financial statements at fair value, which approximated to $54,915 at year end.

Note 1. Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of the various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one (1) program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and payroll taxes, management fees, office expenses, and travel, which are allocated on the basis of estimates of time and effort. Grant expenses are fully allocated under program services as it directly relates to the Organization's program activities.

Recently Adopted Accounting Pronouncements

Effective January 1, 2022, the Organization adopted Financial Accounting Standard Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach. The Organization's 2021 financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Organization had no leases.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements (continued)

The new standard also provides for several accounting policy elections, as follows:

- The Organization elected not to apply the recognition requirements to leases with an original term of twelve months or less, for which the Company is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term;
- The Organization elected to account for its future new copier leases using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 9.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one (1) year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 5,733,037
Restricted contributions (unused)	(2,671,546)
Pledge receivable (unrestricted)	118,581
Total current assets	3,180,072
Accounts payable and accrued expenses	117,009
Total current liabilities	117,009
Working capital	$ 3,063,063

The Organization has two (2) sources of liquidity at its disposal, including cash and cash equivalents and pledge receivables without restrictions. As of December 31, 2022, the Organization's working capital is $3,063,063. In addition to financial assets available to meet general expenditures over the next twelve (12) months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources. Refer to the Statement of Cash Flows, which identifies the sources and uses of the Organization's cash and shows positive cash generated by operation for fiscal year 2022.

Note 3. Pledge Receivable

The Organization received multi-year pledges as of December 31, 2022. Three (3) of the pledges make up 72%, 14%, and 12% of the total pledge receivables. Unconditional promises to give in more than one (1) to five (5) years are discounted between 2.30% to 7.10%.

Unconditional promise to give at December 31, 2022 are as follows:

Receivable in less than one year	$	1,374,834
Receivable in one to five years		700,000
Total unconditional promises to give		2,074,834
Less: discounts to net present value		92,602
Net unconditional promises to give	$	1,982,232

Note 4. Net Assets with Donor Restriction

Net assets with donor restrictions are used to differentiate resources, the use of which is restricted by donor or grantors to a specific time period or purpose, from resources on which no restriction have been placed or that arise from the general operations of the Organization. Net assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence specified by the donors is approximately $1,871,425.

At December 31, 2022, net assets with donor restrictions were composed of the following restrictions:

Time restricted	$	554,208
Purpose restricted		3,980,989
	$	4,535,197

Note 5. Concentration Risks

During the year ended December 31, 2022, the Organization derived approximately 45% and 28% of contributions from two (2) foundations.

Note 6. Related Parties

The Organization engages in related party transactions with board members and affiliated organizations resulting from related party support through contributions, as well as grant expenses contributed overseas to affiliated organizations. Certain contributions received by the Organization may be re-granted to affiliated organization to carry out program objectives.

Note 6. Related Parties (continued)

During the year ended December 31, 2022, the Organization received $271,000 of contributions from their board members.

At times, the Organization re-grants contributions received from donors to their affiliates to carry out certain projects. During the year ended December 31, 2022, the Organization recognized approximately $1,958,947 of grant expenses to affiliated organizations. Additionally, during the year ended December 31, 2022, the Organization received $142,933 of restricted contributions from ClientEarth England to establish program activities in the United States of America. As of December 31, 2022, the Organization has $- due from its affiliates.

Note 7. Retirement Plan

The Organization adopted a Section 403(b) retirement plan whereby the employees may fund their retirement and pay for medical and childcare costs with pre-tax dollars. All employees are eligible in the plan upon the first day of employment. The plan allows for employee contributions via paycheck deductions to individual 403(b) accounts and the Organization matches up to 4% of their contributions. For the year ended December 31, 2022, the Organization contributed $11,872.

Note 8. Contingencies

The Organization, during its normal course of business, may be subject from time to time to disputes and to legal proceedings against it. Both counsel and management do not expect that the ultimate outcome of any current claims will have a material effect on the Organization's financial statements.

Note 9. Lease Commitments

Operating Leases

The Organization leases its office space under an operating lease that with noncancelable lease terms for three years at a discount rate of 5.5% terminating in October 2025.

Leases, January 1, 2022, and After

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term. At the inception of the lease, the Organization recognized a right of use asset and lease liability of $497,736.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Note 9. Lease Commitments (continued)

Leases, January 1, 2022, and After (continued)

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases;
- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;
- Determined the discount rate used to measure the lease liability.

The Organization does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2022:

Operating lease right-of-use assets	$ 449,269
Operating lease liabilities:	
Current	158,151
Long-term	330,373
Total operating lease Liabilities	$ 488,524

Total operating lease expenses for the year ended December 31, 2022, was $58,903. The table below summarizes the Organization’s Scheduled future minimum lease payments for the years ending after December 31, 2022:

2023	$ 158,151
2024	172,674
2025	157,699
	$ 488,524

Note 10. Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 18, 2023, the date that the financial statements were available to be issued.