

The International Council on Clean Transportation, Inc.

Consolidated Financial Report
December 31, 2022

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RSM US LLP

Independent Auditor's Report

Audit Committee of the Board of Directors
The International Council on Clean Transportation, Inc.

Opinion

We have audited the consolidated financial statements of The International Council on Clean Transportation, Inc. and its subsidiaries (ICCT), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ICCT as of December 31, 2022 and 2021, and the changes in their net assets and their 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 (GAAS). 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 ICCT 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, ICCT adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and all subsequent ASUs that modified Accounting Standards Codification (ASC) 842. ICCT has applied the modified retrospective method to adopt the new standard in 2022. Our opinion is not modified with respect to this matter.

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 ICCT's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 ICCT'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 ICCT'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.

RSM US LLP

Washington D.C.
June 7, 2023

The International Council on Clean Transportation, Inc.

Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 9,693,447	\$ 9,363,952
Promises to give, net	1,081,748	754,805
Accounts receivable, net	1,297,255	75,358
Unbilled receivables	451,810	672,497
Prepaid expenses	104,899	273,311
Right-of-use asset for finance leases, net	7,112	-
Deposit	37,217	40,436
Property and equipment, net	398,052	507,205
Right-of-use asset for operating leases, net	4,292,860	-
Total assets	\$ 17,364,400	\$ 11,687,564
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,415,666	\$ 1,244,032
Refundable advances	403,962	450,061
Deferred rent	-	566,325
Lease liability for finance leases, net	7,112	-
Lease liability for operating leases, net	4,826,629	-
Total liabilities	6,653,369	2,260,418
Net assets (deficit):		
Without donor restrictions	(555,439)	(1,332,167)
With donor restrictions	11,266,470	10,759,313
Total net assets	10,711,031	9,427,146
Total liabilities and net assets	\$ 17,364,400	\$ 11,687,564

See notes to consolidated financial statements.

The International Council on Clean Transportation, Inc.

Consolidated Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Grants and contributions	\$ 2,352,108	\$ 17,341,065	\$ 19,693,173
Contract income	1,050,293	-	1,050,293
Consulting income	413,289	-	413,289
Interest income, net	54,795	-	54,795
Other income	113,401	-	113,401
Net assets released from restrictions	16,833,908	(16,833,908)	-
Total revenue and support	20,817,794	507,157	21,324,951
Expenses:			
Program services	16,745,922	-	16,745,922
Supporting services:			
Management and general	1,859,079	-	1,859,079
Communications	964,106	-	964,106
Development	471,959	-	471,959
Total expenses	20,041,066	-	20,041,066
Change in assets	776,728	507,157	1,283,885
Net assets (deficit):			
Beginning	(1,332,167)	10,759,313	9,427,146
Ending	\$ (555,439)	\$ 11,266,470	\$ 10,711,031

See notes to consolidated financial statements.

The International Council on Clean Transportation, Inc.

Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Grants and contributions	\$ 708,257	\$ 15,701,762	\$ 16,410,019
Contract income	1,253,769	-	1,253,769
Consulting income	476,900	-	476,900
Interest income, net	2,494	-	2,494
Other income	75,368	-	75,368
Net assets released from restrictions	12,721,314	(12,721,314)	-
	<u>15,238,102</u>	<u>2,980,448</u>	<u>18,218,550</u>
Expenses:			
Program services	14,247,307	-	14,247,307
Supporting services:			
Management and general	1,544,828	-	1,544,828
Communications	688,690	-	688,690
Development	405,729	-	405,729
Total expenses	<u>16,886,554</u>	<u>-</u>	<u>16,886,554</u>
Change in assets	(1,648,452)	2,980,448	1,331,996
Net assets:			
Beginning	<u>316,285</u>	<u>7,778,865</u>	<u>8,095,150</u>
Ending	<u>\$ (1,332,167)</u>	<u>\$ 10,759,313</u>	<u>\$ 9,427,146</u>

See notes to consolidated financial statements.

The International Council on Clean Transportation, Inc.

Consolidated Statements of Functional Expenses
Years Ended December 31, 2022 and 2021

	2022												
	Program Services							Supporting Services					
	Passenger Vehicles/ Electric Vehicles	Compliance and Enforcement	Strategic Planning and Modeling	Renewable Fuels	Marine and Aviation	International Partnerships	Heavy-Duty Vehicles/ Electric Vehicles	Total Program Services	Management and General	Communications	Development	Total Supporting Services	Total
Salaries and employee benefits	\$ 3,709,006	\$ 657,531	\$ 380,149	\$ 599,798	\$ 1,566,516	\$ 197,351	\$ 2,773,507	\$ 9,883,858	\$ 1,344,234	\$ 743,846	\$ 360,410	\$ 2,448,490	\$ 12,332,348
Consultants	1,561,866	269,556	18,462	41,524	1,043,216	114,930	1,137,569	4,187,123	164,749	88,558	23,043	276,350	4,463,473
Travel and meetings	99,998	8,259	150,537	13,073	37,456	5,203	68,013	382,539	76,694	21,078	3,230	101,002	483,541
Occupancy and insurance	328,242	54,226	31,506	48,676	129,406	15,242	242,769	850,067	152,712	64,537	45,239	262,488	1,112,555
Data sets	400,674	34,694	-	-	92,305	-	86,649	614,322	-	-	-	-	614,322
Report production	46,778	3,769	5,188	2,380	10,149	1,625	38,015	107,904	1,507	2,500	-	4,007	111,911
Telephone and internet	13,749	2,743	903	1,646	4,763	423	9,259	33,486	5,092	2,484	1,247	8,823	42,309
Office supplies and equipment	145,628	23,633	19,911	22,072	55,880	6,221	108,245	381,590	65,958	27,232	23,524	116,714	498,304
Dues and subscriptions	21,152	656	742	974	24,212	403	7,465	55,604	6,679	1,534	5,831	14,044	69,648
Depreciation	45,734	7,696	4,404	6,678	18,677	1,964	32,807	117,960	17,820	9,095	6,316	33,231	151,191
Miscellaneous	54,033	5,435	3,975	3,750	32,982	1,565	29,729	131,469	23,634	3,242	3,119	29,995	161,464
Total expenses	\$ 6,426,860	\$ 1,068,198	\$ 615,777	\$ 740,571	\$ 3,015,562	\$ 344,927	\$ 4,534,027	\$ 16,745,922	\$ 1,859,079	\$ 964,106	\$ 471,959	\$ 3,295,144	\$ 20,041,066

	2021												
	Program Services							Supporting Services					
	Passenger Vehicles/ Electric Vehicles	Compliance and Enforcement	Strategic Planning and Modeling	Renewable Fuels	Marine and Aviation	Heavy-Duty Vehicles/ Electric Vehicles	Total Program Services	Management and General	Communications	Development	Total Supporting Services	Total	
Salaries and employee benefits	\$ 3,568,967	\$ 651,621	\$ 288,381	\$ 674,402	\$ 1,192,076	\$ 2,310,612	\$ 8,686,059	\$ 969,586	\$ 556,849	\$ 311,521	\$ 1,837,956	\$ 10,524,015	
Consultants	1,164,348	315,914	28,370	190,248	149,808	1,480,465	3,329,153	201,794	39,405	20,290	261,489	3,590,642	
Travel and meetings	46,126	3,609	1,642	2,338	2,534	23,430	79,679	22,465	623	-	23,088	102,767	
Occupancy and insurance	288,838	47,382	24,399	53,208	98,912	195,534	708,273	164,077	46,672	38,529	249,278	957,551	
Data sets	526,226	15,000	-	-	96,958	105,348	743,532	-	-	-	-	743,532	
Report production	67,034	6,992	181	12,931	6,913	43,120	137,171	-	3,344	469	3,813	140,984	
Telephone and internet	13,346	2,203	617	1,540	2,798	5,631	26,135	7,238	1,379	1,080	9,697	35,832	
Office supplies and equipment	149,237	22,593	13,597	26,538	48,754	89,214	349,933	88,448	28,916	20,359	137,723	487,656	
Dues and subscriptions	22,589	1,038	834	1,827	24,303	6,711	57,302	12,531	1,427	4,331	18,289	75,591	
Miscellaneous	(15,924)	8,237	3,029	6,638	10,130	38,294	50,404	58,644	4,747	4,325	67,716	118,120	
Depreciation	32,600	5,078	3,048	6,215	11,606	21,119	79,666	20,045	5,328	4,825	30,198	109,864	
Total expenses	\$ 5,863,387	\$ 1,079,667	\$ 364,098	\$ 975,885	\$ 1,644,792	\$ 4,319,478	\$ 14,247,307	\$ 1,544,828	\$ 688,690	\$ 405,729	\$ 2,639,247	\$ 16,886,554	

See notes to consolidated financial statements.

The International Council on Clean Transportation, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,283,885	\$ 1,331,996
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	151,191	109,864
Change in allowance for uncollectible pledges	28,873	(175)
Change in discount on promises to give	34,028	(9,144)
Deferred rent	-	4,084
Amortization of right-of-use asset—financing	4,093	-
Amortization of right-of-use asset—operating	944,539	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(1,250,770)	552,483
Unbilled receivable	220,687	(156,748)
Promises to give	(360,971)	428,017
Prepaid expenses	168,412	(122,450)
Deposit	3,219	(9,944)
Increase (decrease) in:		
Accounts payable and accrued expenses	171,634	17,993
Refundable advances	(46,099)	(920,970)
Lease liability—operating	(977,095)	-
Net cash provided by operating activities	375,626	1,225,006
Cash flows from investing activities:		
Purchases of property and equipment	(42,038)	(281,894)
Net cash used in investing activities	(42,038)	(281,894)
Cash flows from financing activities:		
Principal repayments on financing lease	(4,093)	-
Net cash used in financing activities	(4,093)	-
Net increase in cash	329,495	943,112
Cash and cash equivalents:		
Beginning	9,363,952	8,420,840
Ending	<u>\$ 9,693,447</u>	<u>\$ 9,363,952</u>
Supplemental disclosure of cash flow information:		
Addition to right-of-use asset for operating lease as of January 1, 2022	<u>\$ 5,237,399</u>	<u>\$ -</u>
Addition to right-of-use asset for finance lease as of January 1, 2022	<u>\$ 11,205</u>	<u>\$ -</u>
Addition to operating lease liability as of January 1, 2022	<u>\$ 5,803,724</u>	<u>\$ -</u>
Addition to finance lease liability as of January 1, 2022	<u>\$ 11,205</u>	<u>\$ -</u>

See notes to consolidated financial statements.

The International Council on Clean Transportation, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The International Council on Clean Transportation, Inc. (ICCT U.S.) was incorporated on May 18, 2005, under the laws of the State of Delaware. ICCT U.S. is an independent, nonprofit research organization with expertise in light and heavy-duty vehicles, transportation fuels, shipping, aviation, climate science and health with U.S. offices in Washington D.C. and San Francisco and offices outside the U.S. in Berlin Germany, Brussels Belgium, Beijing China and Sao Paulo Brazil (collectively, ICCT). ICCT's essential focus is on helping public sector agencies anywhere in the world promulgate effective transport sector regulations that minimize climate change and improve public health. ICCT does this by providing high-quality, data-driven analysis and recommendations directly to regulators and other key stakeholders who can benefit from timely, accurate, topical, policy-relevant information.

ICCT's work falls into four categories: identifying and disseminating international best practices; leading research projects to lay the technical groundwork for future regulations; assisting government agencies directly in the drafting of regulatory documents and supporting data collection and analysis; and holding public workshops, as well as private meetings of key regulators.

ICCT U.S. is the sole shareholder of International Council on Clean Transportation Europe (ICCT Europe). ICCT U.S. is the sole shareholder of International Council on Clean Transportation China (ICCT China), which was incorporated during 2015. In March 2020, ICCT U.S. formed International Council on Clean Transportation Brazil (ICCT Brazil) in membership with Institute Climate Society (ICS). ICCT U.S. has control over the appointment of a majority of board members of ICCT Brazil, as such, ICCT Brazil is consolidated into ICCT U.S., ICCT Europe and ICCT China, collectively the "ICCT".

A summary of ICCT's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements include the accounts of ICCT U.S., ICCT Europe, ICCT China and ICCT Brazil. Significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation: The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities topic of the ASC, ICCT is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

Net assets without donor restrictions: Net assets are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: Net assets are subject to donor-imposed restrictions. Certain donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled or both.

The International Council on Clean Transportation, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Translation of foreign currency: The financial records of ICCT Europe, ICCT China and ICCT Brazil are required to be maintained in local currency and accounts are translated to United States Dollars (USD) for consolidated financial statement presentation.

Cash and cash equivalents: For purposes of reporting cash flows, ICCT considers all money market accounts and certificates of deposit with an original maturity of three months or less to be cash equivalents. As of December 31, 2022, ICCT held \$1,286,471, \$554,758 and \$155,772 in foreign bank accounts in Europe, China and Brazil, respectively. As of December 31, 2021, ICCT held \$383,934, \$1,439 and \$42,114 in foreign bank accounts in Europe, China and Brazil, respectively.

Financial risk: ICCT maintains cash in bank deposit accounts which, at times, may exceed federally-insured limits. ICCT has not experienced any losses in such accounts. ICCT believes it is not exposed to any significant financial risk on cash.

Accounts receivable: Accounts receivable are carried at original invoice amounts, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Management recorded an allowance of \$75,592 and \$47,578 at December 31, 2022 and 2021, respectively.

Unbilled receivables: Unbilled amounts represent recoverable costs incurred related to contract and consulting revenue for which the customer has not been invoiced.

Promises to give: Contributions are recognized when the donor makes a written promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire or are satisfied in the fiscal year in which the contributions are recognized. The allowance for doubtful promises to give is based on management's evaluation of the status of existing promises to give and historical results. In accordance with the Non-Profit Entities Topic of the ASC, promises to give in a future period are discounted to their net present value at the time the revenue is recorded. ICCT promises to give are generally receivable over a two to five-year period. Promises to give at December 31, 2022 are discounted at a rate of 4.11%. Promises to give are deemed fully collectible at December 31, 2022 and 2021.

Right-of-use assets: Right-of-use (ROU) assets consist of the initial lease liability, any payments made to the lessor at or before the commencement date minus any incentives received, and initial direct costs. ROU assets on operating type leases are amortized over the lease term in conjunction with the amortization of the lease liability in order to achieve a straight-line expense recognition.

Property and equipment: Property and equipment is recorded at cost and is being depreciated using the straight-line method over the estimated useful life of the related asset ranging from three to seven years. ICCT capitalizes all property and equipment with a cost of \$2,500 or more. Leasehold improvements are depreciated over the shorter of the estimated use lives of the improvements or the lease term.

Deferred rent: Deferred rent reflects the difference between rent expense, which is recognized on a straight-line basis over the term of the lease and the cash payments made. In addition, deferred rent also includes landlord incentives, which are being amortized over the lease. The concept of deferred rent has been eliminated for ICCT as of January 1, 2022 with the adoption of the new accounting standard (see next paragraph).

The International Council on Clean Transportation, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Leases: On January 1, 2022, ICCT adopted Accounting Standards Update (ASU) 2016-02 using the modified retrospective approach with cumulative effect of applying the standard being recognized at the date of initial adoption. ICCT elected to apply the package of practical expedients related to the transition. These practical expedients allowed ICCT to carry forward its historical assessments of whether any existing contracts are or contain leases, the lease classification for each lease existing at January 1, 2022, and whether any initial direct costs for such leases qualified for capitalization. The primary impact of applying ASU 2016-02 is the initial recognition of \$5,803,724 of operating lease liabilities and corresponding ROU assets, initial recognition of \$11,205 of financing lease liabilities and corresponding ROU assets and the reclassification of \$566,325 from deferred rent to ROU assets on ICCT's consolidated statement of financial position as of January 1, 2022, for leases classified as operating leases under ASU 2016-02, as well as enhanced disclosure of leasing arrangements which are included in Note 7. There was no cumulative effect to net assets as of January 1, 2022, and the adoption of ASU 2016-02 did not impact the presentation of ICCT's consolidated statements of activities or cash flows.

Lease liabilities: Long-term leases are recognized at the present value of all lease payments using a risk-free rate comparable with that of the individual lease terms.

Revenue recognition: Grants and contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions. Any grant that is conditional for a right of refund/release and a barrier is reported in the accompanying consolidated statements of financial position as a refundable advance due to the grantor when applicable.

Conditional contributions and similar grants are not recognized as support until such times as the conditions are substantially met. ICCT is the recipient of nonfederal and federal conditional promises to give at December 31, 2022, of \$6,819,668 and \$129,379, respectively. ICCT is the recipient of nonfederal and federal conditional promises to give at December 31, 2021, of \$10,340,002 and \$227,668, respectively. ICCT will earn and receive the conditional funds contingent upon ICCT meeting certain milestones documented in the agreements.

ICCT's revenue stream from contracts with customers are comprised primarily from contract income and consulting income. ICCT's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a point in time. ICCT's revenue under contracts with customers is primarily earned in the United States of America and Europe.

Contract and consulting income represents services ICCT will provide to various vendors and is recognized when the services have been performed. Income billed and collected in advance of the time of recognition are reported as deferred revenue in the accompanying consolidated financial statements. The timing of revenue recognition may not align with the right to invoice the customer. ICCT records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. Opening balances as of January 1, 2021, included accounts receivable of \$627,666, net of allowance of \$32,750 and \$515,745 unbilled receivables.

ICCT's revenue from contracts with customers are generally for one or two years. The contracts do not include significant financing components and do not have variable considerations. ICCT did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. The primary factor affecting future revenue and cash inflows is consulting contracts with its customers. Management does not believe there is a material risk of loss for future revenue and cash inflows.

The International Council on Clean Transportation, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes: ICCT US has been granted exemption by the Internal Revenue Service (IRS) from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3). The ICCT terminated its private foundation status, effective December 31, 2015, and is classified as a public charity under IRC Section 170(b)(1)(A)(vi). Federal and state income taxes are imposed on income unrelated to the ICCT's exemption. ICCT did not have any net unrelated business income for the years ended December 31, 2022 and 2021.

ICCT Europe, China and Brazil are subject to local country tax regulations. It is in the opinion of management that ICCT Europe, China and Brazil earned no significant taxable business income for the years ended December 31, 2022 and 2021.

Management evaluated ICCT's tax positions and concluded that ICCT has taken no uncertain positions that require adjustments to the consolidated financial statements to comply with the provisions of this guidance.

Functional allocation of expenses: The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Salaries and employee benefits, occupancy and insurance, data sets, office supplies and equipment and other expenses are allocated on the basis of estimates of time and effort.

Use of estimates: The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Subsequent events: ICCT has evaluated subsequent events through June 7, 2023, the date on which the consolidated financial statements were available to be issued.

The International Council on Clean Transportation, Inc.

Notes to Consolidated Financial Statements

Note 2. Liquidity and Availability of Financial Assets

ICCT regularly monitors liquidity to meet its annual operating needs and other contractual commitments while also striving to maximize financial assets of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date at December 31, 2022 and 2021, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 9,693,447	\$ 9,363,952
Promises to give, net	1,081,748	754,805
Accounts receivable, net	1,297,255	75,358
Unbilled receivable	451,810	672,497
Total financial assets available	<u>12,524,260</u>	<u>10,866,612</u>
Less those unavailable for general expenditure within one year due to:		
Refundable advances	(403,962)	(450,061)
Donor-imposed restrictions	<u>(11,266,470)</u>	<u>(10,759,313)</u>
General expenditure within one year	<u>\$ 853,828</u>	<u>\$ -</u>

ICCT performs active project planning and management, which has been effective in meeting both the donors' requirements and reducing the demands on ICCT working capital. ICCT has a \$500,000 line of credit (see Note 8) that can be drawn upon if needed.

ICCT has a goal to maintain financial assets, cash and short-term investments on hand to meet 60 days of normal operating expenditures.

Note 3. Promises to Give

Promises to give to be collected in more than one year from the date of the donor's commitment are measured using the present value of future cash flows based on a discount rate of 4.11%. Promises to give at December 31, 2022 and 2021, consist of amounts by due date as follows:

	2022	2021
Less than one year	\$ 473,721	\$ 754,805
One to five years	642,380	-
	<u>1,116,101</u>	<u>754,805</u>
Less discount to net present value	34,353	-
	<u>\$ 1,081,748</u>	<u>\$ 754,805</u>

The International Council on Clean Transportation, Inc.

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment at December 31, 2022 and 2021, consists of the following:

2022		
Asset Category	Estimated Useful Lives	Net
Leasehold improvements	Shorter of useful life or remaining life of lease	\$ 1,093,025
Furniture and equipment	3–7 years	466,067
Computer equipment	3 years	251,832
Computer software	3–5 years	203,261
		<u>2,014,185</u>
Less accumulated depreciation		1,616,133
Property and equipment, net		<u>\$ 398,052</u>

2021		
Asset Category	Estimated Useful Lives	Net
Leasehold improvements	Shorter of useful life or remaining life of lease	\$ 1,088,862
Furniture and equipment	3–7 years	461,070
Computer equipment	3 years	222,087
Computer software	3–5 years	203,261
		<u>1,975,280</u>
Less accumulated depreciation		1,468,075
Property and equipment, net		<u>\$ 507,205</u>

Depreciation expense for the years ended December 31, 2022 and 2021, was \$151,191 and \$109,864, respectively.

The International Council on Clean Transportation, Inc.

Notes to Consolidated Financial Statements

Note 5. Net Assets With Donor Restrictions

At December 31, 2022, net assets with donor restrictions consist of time and purpose restricted programs. The net assets activity during 2022 for net assets with donor restrictions consist of the following:

	Balance, December 31, 2021	Additions, Transfer and Change in Discount	Releases and Bad- Debt Expense	Balance, December 31, 2022
Purpose restrictions:				
Aviation	\$ 679,298	\$ 1,077,787	\$ (880,063)	\$ 877,022
Administration	209,169	664,076	(521,285)	351,960
Communication	332,975	1,178,974	(1,417,768)	94,181
Development	126,641	-	-	126,641
Clean air	105,769	97,788	-	203,557
Green freight	1,833	72,363	17,540	91,736
Compliance and enforcement	694,047	727,779	(941,366)	480,460
Fuels	170,456	948,339	(695,318)	423,477
Heavy-duty vehicles	1,642,933	4,921,035	(3,820,649)	2,743,319
Marine	1,140,419	1,233,856	(1,413,506)	960,769
ICC	-	1,557,989	(337,574)	1,220,415
Passenger vehicles	1,834,984	4,217,371	(3,741,051)	2,311,304
Electric vehicle	2,129,824	217,018	(1,427,856)	918,986
Strategic planning and modeling	186,475	426,690	(303,299)	309,866
Total programs	<u>9,254,823</u>	<u>17,341,065</u>	<u>(15,482,195)</u>	<u>11,113,693</u>
Time restrictions:				
William and Flora Hewlett Foundation	542,500	-	(542,500)	-
Skoll Foundation	500,000	-	(500,000)	-
Marine/Globe—National Philanthropic Trust	319,444	-	(166,667)	152,777
Administration—Heising-Simons Foundation	21,053	-	(21,053)	-
Aviation/Global—Heising-Simons Foundation	15,790	-	(15,790)	-
HDV/US—Heising-Simons Foundation	24,562	-	(24,562)	-
Marine/Global—Heising-Simons Foundation	13,158	-	(13,158)	-
EV/US—Heising-Simons Foundation	26,316	-	(26,316)	-
RWN Foundation	41,667	-	(41,667)	-
Total time-restricted	<u>1,504,490</u>	<u>-</u>	<u>(1,351,713)</u>	<u>152,777</u>
	<u>\$ 10,759,313</u>	<u>\$ 17,341,065</u>	<u>\$ (16,833,908)</u>	<u>\$ 11,266,470</u>

The International Council on Clean Transportation, Inc.

Notes to Consolidated Financial Statements

Note 5. Net Assets With Donor Restrictions (Continued)

At December 31, 2021, net assets with donor restrictions consist of time and purpose restricted programs. The net assets activity during 2021 for net assets with donor restrictions consist of the following:

	Balance, December 31, 2020	Additions, Transfer and Change in Discount	Releases and Bad- Debt Expense	Balance, December 31, 2021
Purpose restrictions:				
Aviation	\$ 193,569	\$ 989,353	\$ (503,624)	\$ 679,298
Administration	60,000	1,162,355	(1,013,186)	209,169
Communication	49,166	642,885	(359,076)	332,975
Development	126,641	-	-	126,641
Clean air	-	110,598	(4,829)	105,769
Green freight	105,010	133,826	(237,003)	1,833
Compliance and enforcement	923,066	647,257	(876,276)	694,047
Fuels	667,424	335,946	(832,914)	170,456
Heavy-duty vehicles	831,729	3,780,330	(2,969,126)	1,642,933
Marine	342,500	1,240,680	(442,761)	1,140,419
Passenger vehicles	694,460	3,085,744	(1,945,220)	1,834,984
Electric vehicle	1,464,398	2,172,710	(1,507,284)	2,129,824
Strategic planning and modeling	102,333	420,078	(335,936)	186,475
Total programs	<u>5,560,296</u>	<u>14,721,762</u>	<u>(11,027,235)</u>	<u>9,254,823</u>
Time restrictions:				
General operations:				
William and Flora Hewlett Foundation	-	930,000	(387,500)	542,500
Skoll Foundation	1,000,000	-	(500,000)	500,000
Marine/Globe—National Philanthropic Trust	486,111	-	(166,667)	319,444
Administration—Heising-Simons Foundation	84,211	-	(63,158)	21,053
Aviation/Global—Heising-Simons Foundation	63,158	-	(47,368)	15,790
HDV/US—Heising-Simons Foundation	150,878	-	(126,316)	24,562
Marine/Global—Heising-Simons Foundation	250,000	-	(236,842)	13,158
EV/US—Heising-Simons Foundation	184,211	-	(157,895)	26,316
RWN Foundation	-	50,000	(8,333)	41,667
Total time-restricted	<u>2,218,569</u>	<u>980,000</u>	<u>(1,694,079)</u>	<u>1,504,490</u>
	<u>\$ 7,778,865</u>	<u>\$ 15,701,762</u>	<u>\$ (12,721,314)</u>	<u>\$ 10,759,313</u>

Note 6. Retirement Plan

ICCT sponsors a 401(k) Plan that includes employer nonelective contributions and employee deferrals. ICCT's contributions to the 401(k) Plan totaled \$410,965 and \$468,165 for the years ended December 31, 2022 and 2021, respectively.

The International Council on Clean Transportation, Inc.

Notes to Consolidated Financial Statements

Note 7. Leases

Operating leases: ICCT entered into a 11-year noncancellable sublease operating agreement for office space in Washington, D.C., which commenced on April 1, 2019, and expires on April 1, 2030. Under the terms of the lease, the base rent is subject to annual increases of 2.5%, and ICCT is required to pay its proportionate share of any increases in the building's real estate taxes and operating expenses.

In 2018, ICCT entered into a seven-year, noncancellable sublease operating agreement for office space in San Francisco, California, which commenced on November 1, 2018, and expires on November 1, 2025. Under the terms of the lease, the base rent is subject to annual increases of 3%.

ICCT has a five-year, cancellable operating lease for office space in Berlin, Germany, which expired on June 30, 2021, and was renewed through October 31, 2026.

ICCT had a noncancellable operating lease for office space in Beijing, China, which expired on June 30, 2021, and was not renewed. ICCT signed a lease in a different location which expires May 31, 2024, with a rent-free period for June and July 2021.

Rent expense for the years ended December 31, 2022 and 2021, was \$1,066,138 and \$918,424, respectively.

The weighted-average discount rate of the office lease is 1.46%. The weighted-average remaining lease term is 5.52 years.

Future minimum cash basis lease payments are as follows:

Years ending December 31:	
2023	\$ 1,082,964
2024	1,029,068
2025	958,323
2026	549,522
2027	421,395
Thereafter	987,320
Future minimum lease payments	<u>5,028,592</u>
Less imputed interest*	<u>201,963</u>
Discounted lease liability	<u>\$ 4,826,629</u>

* Imputed interest represents the difference between undiscounted cash flows and discounted cash flows.

The International Council on Clean Transportation, Inc.

Notes to Consolidated Financial Statements

Note 7. Leases (Continued)

Financing lease: ICCT executed an agreement to lease a copier effective January 2020. The lease term is 60 months and will expire in December 2024.

ICCT executed an agreement to lease a copier effective January 2022. The lease term is 36 months and will expire in December 2024.

Lease expense for the year ended December 31, 2022, was \$3,899.

The weighted-average discount rate of the finance lease is 1.04%. The weighted-average remaining lease term is 1.92 years.

Future minimum cash basis lease payments are as follows:

Years ending December 31:	
2023	\$ 3,899
2024	<u>3,574</u>
Future minimum lease payments	7,473
Less imputed interest*	<u>361</u>
Discounted lease liability	<u><u>\$ 7,112</u></u>

*Imputed interest represents the difference between undiscounted cash flows and discounted cash flows.

Note 8. Line of Credit

ICCT has an unsecured line of credit agreement with a lending institution in the amount of \$500,000, to expire on October 31, 2023. Interest is based on the Bloomberg Short-Term Bank Yield (BSBY) index plus 3%, which at December 31, 2022 and 2021, was 8.43% and 3.60%, respectively. At December 31, 2022 and 2021, ICCT had no outstanding balance.

Note 9. Concentration of Support

During the year ended December 31, 2022, ICCT received a grant totaling \$2,802,346 from one organization. The grant is approximately 14% of ICCT's total revenue and support for the year ended December 31, 2022. If a significant reduction in funding from this organization were to occur, it may impact ICCT's consolidated financial position and ability to carry out its program activities.

During the year ended December 31, 2021, ICCT received a grant totaling \$3,297,907 from one organization. The grant is approximately 18% of ICCT's total revenue and support for the year ended December 31, 2021. If a significant reduction in funding from this organization were to occur, it may impact ICCT's consolidated financial position and ability to carry out its program activities.

Note 10. Related-Party Transactions

ICCT's Board of Directors voluntarily serve or are employed with various grantors that provide funding to ICCT. ICCT recognized \$7,294,950 and \$3,945,000 in grant revenue from these grantors for the years ended December 31, 2022 and 2021, respectively.

The International Council on Clean Transportation, Inc.

Notes to Consolidated Financial Statements

Note 11. Subsequent Event

On April 17, 2023 ICCT formed a new company named ICCT India Clean Transportation Research Private Limited.