



**THE INTERNATIONAL COUNCIL  
ON CLEAN TRANSPORTATION**

**Financial Statements**

*For the Years Ended December 31, 2011 and 2010*



**and  
Report Thereon**





## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
International Council on Clean Transportation, Inc.

CONSULTING  
ACCOUNTING  
TECHNOLOGY

*Certified Public  
Accountants*

We have audited the accompanying statements of financial position of the International Council on Clean Transportation, Inc. (ICCT) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of ICCT's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ICCT as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Raffa, P.C.*

**RAFFA, P.C.**

Washington, DC  
May 25, 2012

**INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,725,028	\$ 2,442,859
Certificate of deposit - letter of credit	250,985	250,985
Grants receivable	1,642,500	1,369,000
Accounts receivable	21,980	-
Prepaid expenses	47,370	54,081
Deposit	22,354	22,354
Deferred rent receivable	-	54,186
Property and equipment, net	<u>753,920</u>	<u>844,291</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,464,137</u></u>	<u><u>\$ 5,037,756</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 621,834	\$ 180,705
Due to grantor	306,000	567,000
Prepaid sublease rent	21,889	-
Deferred rent	<u>120,810</u>	<u>164,803</u>
<b>TOTAL LIABILITIES</b>	<u>1,070,533</u>	<u>912,508</u>
<b>Net Assets</b>		
Unrestricted	1,866,479	2,760,248
Temporarily restricted	<u>1,527,125</u>	<u>1,365,000</u>
<b>TOTAL NET ASSETS</b>	<u>3,393,604</u>	<u>4,125,248</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,464,137</u></u>	<u><u>\$ 5,037,756</u></u>

The accompanying notes are an integral part of these financial statements.

**INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.**

**STATEMENTS OF ACTIVITIES**  
For the Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 2,000,000	\$ 7,491,500	\$ 9,491,500	\$ 4,183,000	\$ 1,420,000	\$ 5,603,000
Rental income	302,386	-	302,386	287,891	-	287,891
Contract revenue	182,962	-	182,962	25,000	-	25,000
Interest income	5,269	-	5,269	5,036	-	5,036
Net assets released from restrictions:						
Satisfaction of program restrictions	7,329,375	(7,329,375)	-	155,000	(155,000)	-
Satisfaction of time restrictions	-	-	-	1,350,000	(1,350,000)	-
TOTAL REVENUE AND SUPPORT	9,819,992	162,125	9,982,117	6,005,927	(85,000)	5,920,927
EXPENSES						
Program services	8,552,978	-	8,552,978	4,257,908	-	4,257,908
Supporting services:						
Management and general	1,468,711	-	1,468,711	1,163,084	-	1,163,084
Communications	417,967	-	417,967	227,778	-	227,778
Development	274,105	-	274,105	123,401	-	123,401
TOTAL EXPENSES	10,713,761	-	10,713,761	5,772,171	-	5,772,171
CHANGE IN NET ASSETS	(893,769)	162,125	(731,644)	233,756	(85,000)	148,756
NET ASSETS, BEGINNING OF YEAR	2,760,248	1,365,000	4,125,248	2,526,492	1,450,000	3,976,492
NET ASSETS, END OF YEAR	\$ 1,866,479	\$ 1,527,125	\$ 3,393,604	\$ 2,760,248	\$ 1,365,000	\$ 4,125,248

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2011

	Program Services												Supporting Services			
	Passenger Vehicles	Heavy-Duty Vehicles	Fuels	Technology and Innovation	Roadmap	Commercial Aviation	International Marine	Vehicle Conventional Pollutants	Climate and Health	Council Conference	Policy Tracking	Total Program Services	Management and General	Communications	Development	Total
Consultants	\$ 2,320,366	\$ 301,718	\$ 368,489	\$ 127,375	\$ 173,041	\$ 139,667	\$ 99,830	\$ 79,412	\$ 57,000	\$ 484	\$ 30,000	\$ 3,697,382	\$ 265,284	\$ 144,116	\$ 6,750	\$ 4,113,532
Salaries and employee benefits	775,904	307,520	288,879	283,799	282,591	262,615	206,555	217,083	178,528	36,217	55,166	2,894,857	628,335	184,582	140,041	3,847,815
Travel and meetings	215,902	181,679	59,982	74,232	45,088	59,933	53,990	73,121	32,228	182,397	-	978,552	33,765	21,335	104,037	1,137,689
Occupancy	109,575	32,628	46,158	35,297	44,739	38,309	33,921	27,089	22,299	5,078	10,001	405,094	365,581	25,300	15,143	811,118
Data sets	155,460	-	-	45,646	-	-	12,000	407	-	-	-	213,513	-	-	-	213,513
Office supplies	37,452	11,528	6,861	7,161	11,810	9,392	5,810	2,628	9,848	1,997	920	105,407	19,359	3,285	2,581	130,632
Depreciation and amortization	19,486	6,216	7,858	6,270	7,989	6,792	6,056	4,374	3,983	921	1,773	71,718	43,333	4,475	2,657	122,183
Telecommunications	15,441	4,533	6,289	4,757	6,218	5,327	5,055	3,447	3,023	694	1,239	56,023	18,241	10,187	2,046	86,497
Report production	20,587	1,055	10,227	7,620	4,268	-	1,750	1,270	-	32	-	46,809	-	19,531	495	66,835
Dues and subscriptions	7,384	2,656	167	2,121	625	28,797	7,931	553	-	-	110	50,344	7,771	403	179	58,697
Miscellaneous	6,183	6,190	4,895	216	-	45	-	8,039	-	2,446	-	28,014	11,932	4,470	-	44,416
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	36,602	-	-	36,602
Board compensation	-	-	-	-	-	-	-	-	-	-	-	-	32,822	-	-	32,822
Postage and shipping	1,179	385	451	365	531	400	388	361	317	799	89	5,265	2,786	283	176	8,510
Sponsorship	-	-	-	-	-	-	-	-	-	-	-	-	2,900	-	-	2,900
TOTAL EXPENSES	\$ 3,684,919	\$ 856,108	\$ 800,256	\$ 594,859	\$ 576,900	\$ 551,277	\$ 433,286	\$ 417,784	\$ 307,226	\$ 231,065	\$ 99,298	\$ 8,552,978	\$ 1,468,711	\$ 417,967	\$ 274,105	\$ 10,713,761

The accompanying notes are an integral part of these financial statements.

**INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2010**

	Program Services										Supporting Services			
	Passenger Vehicles	Climate and Health	Heavy-Duty Vehicles	Technology and Innovation	Fuels	Commercial Aviation	International Marine	Council Conference	Policy Tracking	Total Program Services	Management and General	Communications	Development	Total
Salaries and employee benefits	\$ 656,831	\$ 486,018	\$ 403,674	\$ 258,882	\$ 210,902	\$ 193,535	\$ 121,112	\$ 11,919	\$ 11,948	\$ 2,354,821	\$ 510,925	\$ 157,361	\$ 81,399	\$ 3,104,506
Consultants	146,779	71,509	71,251	131,011	98,959	72,545	167,235	-	-	759,289	132,409	17,486	856	910,040
Occupancy	117,930	88,200	67,075	38,192	36,488	35,951	23,742	2,697	1,856	412,131	375,612	27,886	9,282	824,911
Travel and meetings	143,398	34,315	76,260	64,820	36,700	44,755	12,063	12,528	-	424,839	38,281	6,191	26,945	496,256
Depreciation and amortization	31,387	21,236	16,150	9,196	8,786	8,656	5,717	649	447	102,224	21,121	6,714	2,235	132,294
Telecommunications	22,725	12,672	9,780	5,805	5,316	5,248	3,427	351	263	65,587	13,375	3,470	1,299	83,731
Office supplies	16,905	14,401	10,260	4,555	3,861	6,274	4,213	157	133	60,759	9,278	5,961	797	76,795
Dues and subscriptions	14,092	622	3,158	9,565	2,839	1,236	569	-	-	32,081	9,688	835	-	42,604
Board compensation	-	-	-	-	-	-	-	-	-	-	33,500	-	-	33,500
Insurance	5,647	4,224	3,212	1,829	1,747	1,722	1,137	129	89	19,736	4,201	1,335	444	25,716
Miscellaneous	5,829	-	5,735	-	-	118	-	-	-	11,682	11,426	142	-	23,250
Postage and shipping	1,781	1,065	808	484	478	458	362	39	37	5,512	1,197	397	144	7,250
Sponsorship	-	5,000	-	-	-	-	-	-	-	5,000	1,500	-	-	6,500
Report production	1,082	-	2,808	23	91	243	-	-	-	4,247	-	-	-	4,247
Interest expense	-	-	-	-	-	-	-	-	-	-	571	-	-	571
TOTAL EXPENSES	<u>\$ 1,164,386</u>	<u>\$ 739,262</u>	<u>\$ 670,171</u>	<u>\$ 524,362</u>	<u>\$ 406,167</u>	<u>\$ 370,741</u>	<u>\$ 339,577</u>	<u>\$ 28,469</u>	<u>\$ 14,773</u>	<u>\$ 4,257,908</u>	<u>\$ 1,163,084</u>	<u>\$ 227,778</u>	<u>\$ 123,401</u>	<u>\$ 5,772,171</u>

The accompanying notes are an integral part of these financial statements.

**INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.****STATEMENTS OF CASH FLOWS****For the Years Ended December 31, 2011 and 2010****Increase (Decrease) in Cash and Cash Equivalents**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (731,644)	\$ 148,756
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	122,183	132,294
Gain on disposal of computer equipment	(400)	(26)
Changes in assets and liabilities:		
Grants receivable	(273,500)	1,431,000
Accounts receivable	(21,980)	-
Prepaid expenses	6,711	(40,919)
Deferred rent receivable	54,186	(27,283)
Accounts payable and accrued expenses	441,129	(59,189)
Due to grantor	(261,000)	567,000
Prepaid sublease rent	21,889	-
Deferred rent	(43,993)	49,793
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>(686,419)</u>	<u>2,201,426</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	400	802
Purchase of certificate of deposit for letter of credit	-	(1,319)
Purchases of property and equipment	(31,812)	(32,046)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(31,412)</u>	<u>(32,563)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of principal on loan	-	(20,676)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>-</u>	<u>(20,676)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(717,831)	2,148,187
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,442,859</u>	<u>294,672</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 1,725,028</u></u>	<u><u>\$ 2,442,859</u></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ 571</u></u>

The accompanying notes are an integral part of these financial statements.

# **INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS** **For the Years Ended December 31, 2011 and 2010**

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### **1. Organization**

The International Council on Clean Transportation, Inc. (ICCT) was incorporated on May 18, 2005, under the laws of the State of Delaware. ICCT has offices in the District of Columbia, California and Nevada. It was formed to improve the environmental performance and efficiency of cars, trucks, buses and transportation systems in order to protect and improve public health, the environment and quality of life. These activities are funded primarily from contributions from private foundations.

ICCT operates the following programs:

#### **Regulatory Agency Programs**

Government agencies typically draft regulations for a particular mode of transportation (e.g., passenger vehicles) or transportation fuels. ICCT's mission is to provide technical support to those agencies in major vehicle and fuels markets around the world. ICCT has established the following programs to match the typical scope of government regulations: Passenger Vehicles, Heavy-Duty Vehicles, Commercial Aviation, International Marine, and Fuels. Other programs build ICCT's intellectual knowledge in the following key research areas: Climate and Health and Technology and Innovation.

#### **Other Programs**

Other ICCT programs include the Council Conference and Policy Tracking. The Council Conference is held approximately every 18 months and physically brings together senior regulatory officials from the world's leading vehicle and fuels countries to identify best practices, emerging issues, technological advancements and opportunities to guide policy developments around the world.

### **2. Summary of Significant Accounting Policies**

#### **Cash and Cash Equivalents**

ICCT considers demand deposits and money market funds to be cash and cash equivalents.



# **INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS** **For the Years Ended December 31, 2011 and 2010**

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### 2. Summary of Significant Accounting Policies (continued)

#### **Fair Value Measurements**

The fair value measurement standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, ICCT has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For ICCT, the financial assets and liabilities reported at fair value are based on quoted prices for similar assets or liabilities in active markets (Level 2). As of December 31, 2011, only ICCT's certificate of deposit, as described in Note 3 of these financial statements, was measured at fair value on a recurring basis.

#### **Property and Equipment and Related Depreciation and Amortization**

Property and equipment are recorded at cost. ICCT capitalizes expenditures for property and equipment in excess of \$2,500. Lesser amounts are expensed in the year of acquisition. Depreciation on computers, furniture and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years. Computer software is amortized over an estimated useful life of three years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The cost of property and equipment retired or disposed of is removed from the accounts, along with the related accumulated depreciation or amortization, and any gain or loss is reflected in revenue and support or expenses in the accompanying statements of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

#### **Net Assets**

The net assets of ICCT are classified as follows:

- Unrestricted net assets represent funds that are available for support of ICCT's operations.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

# **INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS** **For the Years Ended December 31, 2011 and 2010**

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### 2. Summary of Significant Accounting Policies (continued)

#### **Revenue Recognition**

Grants and contributions are considered to be available for unrestricted 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 temporarily restricted support. Conditional promises to give are not included as support until such time as the conditions are substantially met. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Any grant funding that is not expended during the grant period is due back to the grantor and is reported in the accompanying statements of financial position as a liability due to grantor.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated proportionately among the programs and supporting services to which they relate on the basis of direct labor hours.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### 3. Grants Receivable

Grants receivable represent grants due primarily from foundations. All grants receivable are due within one year and are considered fully collectible. As of December 31, 2011, 95% of the grant receivable balance consisted of amounts due from two private foundations. As of December 31, 2010, 99% of the grant receivable balance consisted of amounts due from a single private foundation.

**INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2011 and 2010**

4. Property and Equipment and Accumulated Depreciation and Amortization

ICCT held the following property and equipment as of December 31:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 683,930	\$ 683,930
Office equipment and furniture	392,630	363,226
Computer equipment and software	<u>45,925</u>	<u>40,473</u>
Total Property and Equipment	1,122,485	1,087,629
Less: Accumulated Depreciation and Amortization	<u>(368,565)</u>	<u>(243,338)</u>
Property and Equipment, Net	<u>\$ 753,920</u>	<u>\$ 844,291</u>

Depreciation and amortization expense totaled \$122,183 and \$132,294 for the years ended December 31, 2011 and 2010, respectively.

5. Concentration of Support

During the years ended December 31, 2011 and 2010, ICCT received grants totaling \$8,644,000 and \$4,783,000, respectively, from two private foundations, which represents approximately 91% and 85% of ICCT's total revenue and support for the years ended December 31, 2011 and 2010, respectively. If a significant reduction in funding from these foundations were to occur, it may adversely impact ICCT's financial position and ability to carry out its program activities. For the years ended December 31, 2011 and 2010, ICCT recognized the following grants and contributions revenue:

	<u>2011</u>	<u>2010</u>
ClimateWorks Foundation	\$ 6,644,000	\$ 4,783,000
The William and Flora Hewlett Foundation	2,000,000	-
Other	<u>847,500</u>	<u>820,000</u>
Total Grants	<u>\$ 9,491,500</u>	<u>\$ 5,603,000</u>

# **INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS** **For the Years Ended December 31, 2011 and 2010**

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### **6. Commitments**

#### **Operating Leases**

ICCT entered into a ten-year, noncancelable operating lease for office space in Washington, DC which expires on February 28, 2019. Under the terms of the lease, the base rent is subject to annual increases of 2.50% and ICCT is required to pay its proportionate share of any increases in the building's real estate taxes and operating expenses. This lease required a security deposit of \$241,200, which was delivered through an irrevocable standby letter of credit that specifies the landlord as the beneficiary. ICCT simultaneously entered into an agreement with a subtenant to lease space to the subtenant under the same terms as the noncancelable operating lease. Effective April 1, 2011, ICCT entered into an additional sublease agreement that can be cancelled by either ICCT or the new subtenant with sixty days' written notice.

On February 7, 2012, ICCT entered into an agreement that assigned the remaining term of the lease for office space in Washington, DC to an existing subtenant. ICCT simultaneously entered into a sublease agreement with the assignee for the portion of the office space currently occupied by ICCT through the end of the assigned lease term. The sublease, through direct reference, incorporates the basic lease terms of the assigned lease in regard to the base rent, annual rent escalations, and the payment of increases in real estate taxes and operating expenses.

ICCT also leases office space in San Francisco, California, under a five-year, noncancelable operating lease agreement, which expires on March 31, 2013. The lease required a security deposit of \$22,354 and has an annual rent escalation of \$1 per square foot.

Under GAAP, scheduled rent increases over a lease term are recognized by the lessee on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected in the accompanying statements of financial position as deferred rent. Alternatively, rental income from the subtenant is also recognized by the lessor on a straight-line basis over the term of the sublease, with the difference between the sublease income and the required lease payments reflected as deferred rent receivable. As of December 31, 2011, ICCT derecognized the \$75,103 deferred rent receivable and deferred rent liability that was previously recorded in association with its Washington, DC sublease, which terminated effective March 31, 2012.

**INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2011 and 2010**

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6. Commitments (continued)

**Operating Leases (continued)**

Total future minimum lease payments and sublease income receipts, subject to cost-of-living adjustments, are as follows:

For the Year Ending December 31,	Rent Payments	Sublease Income	Net
2012	\$ 647,930	\$ (66,064)	\$ 581,866
2013	579,138	-	579,138
2014	391,697	-	391,697
2015	333,638	-	333,638
2016	341,972	-	341,972
Thereafter	799,982	-	799,982
Total	<u>\$ 3,094,357</u>	<u>\$ (66,064)</u>	<u>\$ 3,028,293</u>

Occupancy expense totaled \$811,118 and \$824,911 for the years ended December 31, 2011 and 2010, respectively.

**Concentration of Credit Risk**

ICCT maintains its cash and cash equivalents with a certain financial institution, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2011, ICCT's cash and cash equivalents held with the financial institution exceeded the maximum limit insured by the FDIC by \$1,196,789. ICCT monitors the creditworthiness of the institution and has not experienced any credit losses on its cash and cash equivalents.

**Letter of Credit**

In lieu of a cash security deposit to its landlord, ICCT elected to deliver an irrevocable standby letter of credit in the amount of \$241,200, as of December 31, 2008, drawn on PNC bank, naming the landlord as the beneficiary thereof. The letter of credit is secured by a certificate of deposit held at PNC bank. The letter of credit is held as security for the payment of any rent payable and for the faithful performance of all covenants by ICCT. The letter of credit automatically renews annually on October 29 until the lease's expiration date.

**Line of Credit**

ICCT entered into a line of credit agreement with a lending institution in the amount of \$500,000, with an interest rate equal to the lending institution's prime rate. The interest rate was 4.25% as of December 31, 2011 and 2010. The line of credit had no outstanding balance and there were no draws on the line during 2011 or 2010.

**INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2011 and 2010**

7. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Program restricted:		
Passenger Vehicles	\$ 330,319	\$ 1,000,000
Fuels	-	200,000
Heavy-Duty Vehicles	141,750	165,000
Other	<u>55,056</u>	<u>-</u>
Total Program Restricted	527,125	1,365,000
Time Restricted	<u>1,000,000</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,527,125</u>	<u>\$ 1,365,000</u>

8. Defined Contribution Plan

ICCT offers an Internal Revenue Code (IRC) Section 403(b) defined-contribution retirement savings plan (the Plan) to employees who meet certain length of service and age requirements. Employees may elect to contribute up to 100% of their compensation to the Plan, limited to a maximum annual amount as set by the Internal Revenue Service (IRS). ICCT makes contributions to the Plan equivalent to 5% of each employee's salary. ICCT's contributions to the Plan totaled \$144,531 and \$110,594 for the years ended December 31, 2011 and 2010, respectively.

9. Tax Status

ICCT is exempt from federal income taxes under Section 501(c)(3) of the IRC. For the year ended December 31, 2010, ICCT was classified as a private operating foundation, as described in Section 4942(j)(3) of the IRC. As a private operating foundation, ICCT was subject to an excise tax of 1% or 2% on its net investment income, which excludes unrealized gains and losses. The applicable excise tax rate is dependent upon the amount of qualifying distributions made by ICCT, and additional excise tax penalties may be assessed if certain minimum distributions are not made. ICCT was subject to an excise tax rate of 1%. However, due to the immateriality of the excise tax due, no accrual has been made at December 31, 2010.

**INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2011 and 2010**

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9. Tax Status (continued)

On February 26, 2011, ICCT received notification from the IRS that its notification to terminate its private foundation status was approved. Accordingly, ICCT is treated as a public charity, as described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the IRC, for an advance ruling period of 60 months, beginning on January 1, 2011.

ICCT follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. ICCT performed an evaluation for uncertain tax positions for the year ended December 31, 2011, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2011, the statutes of limitations for tax years 2008 through 2010 remain open with the U.S. federal jurisdiction and the District of Columbia, the jurisdictions in which the ICCT files tax returns. It is ICCT's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2011 and 2010, ICCT had no accrual for interest and/or penalties.

10. Reclassification

Certain amounts for 2010 have been reclassified to conform to the 2011 presentation.

11. Subsequent Events

In preparing the financial statements, ICCT has evaluated events and transactions for potential recognition or disclosure through May 25, 2012, the date the financial statements were available to be issued.

On February 7, 2012, ICCT entered into an agreement that assigned the remaining term of the lease for office space in Washington, DC to an existing subtenant. ICCT simultaneously entered into a sublease agreement with the assignee to remain in the portion of the office space it currently occupies (see Note 6).