

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2011

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2011

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Noe and Company

Independent Auditor's Report

To the Board of Directors of
Metafoundation dba Post Carbon Institute
Santa Rosa, California

I have audited the accompanying consolidated statement of financial position of Metafoundation dba Post Carbon Institute (the "Institute"), an Oregon nonprofit corporation, and its subsidiary, Post Carbon Incorporated, a California corporation, as of December 31, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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

Oakland, California
March 19, 2012

Noe and Company

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2011

Assets

Current Assets:

Cash	\$ 545,864
Accounts Receivable	26,755
Prepaid Expenses	<u>18,598</u>
Total Current Assets	591,217

Property and Equipment:

Computer	25,072
Software	431
Furniture and Equipment	<u>9,986</u>
	35,489
Less: Accumulated Depreciation	<u>(28,263)</u>
Net Property and Equipment	7,226

Deposits	<u>1,800</u>
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Total Assets	\$ <u><u>600,243</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 10,086
Accrued Vacation	<u>28,304</u>
Total Current Liabilities	<u>38,390</u>

Total Liabilities	<u>38,390</u>
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Net Assets:

Unrestricted	<u>561,853</u>
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Total Net Assets	<u>561,853</u>
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Total Liabilities and Net Assets	\$ <u><u>600,243</u></u>
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See accompanying notes to consolidated financial statements

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues:			
Foundation and Community Grants	\$ 809,250		\$ 809,250
Contributions	86,206		86,206
Publication revenue	71,360		71,360
Fees and Other Income	62,148		62,148
Investment Income	1,342		1,342
Net Assets Released from Restrictions	<u>10,000</u>	\$ <u>(10,000)</u>	<u> </u>
 Total Support and Revenues	 1,040,306	 (10,000)	 1,030,306
Expenses:			
Program Services:			
Setting the Agenda	286,191		286,191
Changing the Conversation	326,333		326,333
The Resilience Network	18,743		18,743
Supporting Transition	108,008		108,008
Post Carbon Incorporated	<u>838</u>	<u> </u>	<u>838</u>
 Total Program Services	 740,113		 740,113
Supporting Services:			
General and Administrative	108,067		108,067
Fundraising	<u>97,707</u>	<u> </u>	<u>97,707</u>
 Total Supporting Services	 <u>205,774</u>	 <u> </u>	 <u>205,774</u>
 Total Expenses	 <u>945,887</u>	 <u> </u>	 <u>945,887</u>
 Change in Net Assets	 94,419	 (10,000)	 84,419
 Net Assets, Beginning of the Year	 <u>467,434</u>	 <u>10,000</u>	 <u>477,434</u>
 Net Assets, End of the Year	 \$ <u>561,853</u>	 \$ <u> </u>	 \$ <u>561,853</u>

See accompanying notes to consolidated financial statements

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2011

	Setting the Agenda	Changing the Conversation	The Resilience Network	Supporting Transition	Post Carbon Incorporated	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 143,963	\$ 180,919	\$ 14,150	\$ 7,410	\$ -	\$ 346,442	\$ 65,617	\$ 72,951	\$ 138,568	\$ 485,010
Payroll Taxes	12,322	14,741	1,199	598		28,860	4,294	5,928	10,222	39,082
Benefits	15,831	18,740	1,484			36,055	6,604	7,207	13,811	49,866
Total Personnel Costs	172,116	214,400	16,833	8,008		411,357	76,515	86,086	162,601	573,958
Advertising and Marketing	2,981	31,924				34,905				34,905
Bank/Credit Card Charges							5,979		5,979	5,979
Conference and Meeting		1,468	16			1,484		1,775	1,775	3,259
Contract Services	91,131	47,866	35			139,032	11,701	426	12,127	151,159
Depreciation	1,825	2,349	188			4,362	818	924	1,742	6,104
Grants and Awards				100,000		100,000				100,000
Insurance							3,452		3,452	3,452
Office Expenses		370			838	1,208	632	55	687	1,895
Postage and Shipping	1,789	350				2,139	86	566	652	2,791
Printing and Duplication	376	699				1,210	905	181	1,086	2,296
Rent	7,647	9,563				17,971	3,370	3,825	7,195	25,166
Supplies	2,969	2,674				5,777	2,716	1,036	3,752	9,529
Travel and Entertainment	1,887	8,813	310			11,010	410	820	1,230	12,240
Telephone and Internet	3,222	5,546	307			9,075	1,373	1,888	3,261	12,336
Utility	248	311	24			583	110	125	235	818
Total Expense	\$ 286,191	\$ 326,333	\$ 18,743	\$ 108,008	\$ 838	\$ 740,113	\$ 108,067	\$ 97,707	\$ 205,774	\$ 945,887

See accompanying notes to consolidated financial statements.

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2011

Cash Flows From Operating Activities:

Change in Net Assets	\$ 84,419
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	6,104
Loss on Disposal of Fixed Assets	497
Changes in Operating Assets and Liabilities:	
Increase in Accounts Receivable	(5,968)
Decrease in Grants Receivable	20,000
Increase in Prepaid Expenses	(6,865)
Decrease in Accounts Payable	(7,227)
Increase in Accrued Vacation	<u>8,331</u>
Net Cash Provided by Operating Activities	<u>99,291</u>

Cash Flows From Investing Activities:

Purchases of Property and Equipment	<u>(732)</u>
Net Cash Used in Investing Activities	<u>(732)</u>
Net Increase in Cash	98,559
Cash, Beginning of Year	<u>447,305</u>
Cash, End of Year	\$ <u>545,864</u>

Supplemental Disclosure of Cash Flow Information:

Income Taxes Paid	\$ <u>800</u>
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See accompanying notes to consolidated financial statements

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2011

1. ORGANIZATION

Metafoundation dba Post Carbon Institute (the “Institute”) was established in 2003 in the State of Oregon.

The Institute provides individuals, communities, businesses, and governments with the resources needed to understand and respond to the interrelated economic, energy, and environmental crises that define the 21st century. We envision a world of resilient communities and re-localized economies that thrive within ecological bounds.

The Institute has established the following programs and initiatives:

Setting the Agenda: The Institute publishes books, reports, articles, commentaries, and blog posts that build awareness, challenge misconceptions, promote promising models, and inspire action. Together, these publications help set a new and inspiring agenda by providing both an in-depth understanding of the key crises, and an integrated roadmap for the transition at hand.

Changing the Conversation: Through various communication vehicles - public presentations, web sites and social media, creative videos, direct engagement with other NGOs, and general outreach - the Institute helps shift the public dialogue toward a common sense understanding of our world situation, and a meaningful exchange of ideas for how best to respond. Our Fellows, staff, and board include renowned educators and public speakers.

The Resilience Network: The Institute’s Resilience Network engages the nation’s most influential, knowledgeable people and organizations in developing a systems-oriented understanding of our rapidly unfolding crises.

Supporting Transition: The Institute provides financial and technical assistance to Transition US, the national support hub for Transition Town efforts. This unique collaboration affords the Institute a direct pipeline to community organizers around the country working to transition their communities away from fossil fuels, and a learning laboratory in which to field-test replicable models.

Post Carbon Incorporated: Post Carbon Incorporated was a California corporation and a wholly owned subsidiary of the Institute. Its revenue came from sales of books and royalties. In 2011, Post Carbon Incorporated was phased out.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Institute and the Subsidiary. All significant inter-entity balances and transactions have been eliminated in the consolidation.

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The consolidated financial statements of the Institute have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses as incurred.

Basis of Presentation

Net assets of the Institute and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Also, contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Institute and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Institute had no temporarily restricted net assets at December 31, 2011.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute. Generally, the donors of these assets permit the Institute to use all or part of the income earned on any related investments for general or specific purposes. The Institute had no permanently restricted net assets at December 31, 2011.

Revenue Recognition

The Institute recognizes services and other fee revenue in the period when the service has been provided.

Grants and Contributions

Grants and contributions, including unconditional promises to give, are recorded as made. All grants and contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Institute reports its fair value measurements using a three level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting standards, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2 - Inputs other than quoted prices included in level 1 that are observable for assets or liabilities, either directly or indirectly. Level 2 inputs include quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities.

Level 3 - Unobservable inputs for assets or liabilities. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. Donated property and equipment are reported as increases in unrestricted net assets unless the donor has restricted the use of donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Institute reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Donated Services

Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would typically need to be purchased if not provided by donation.

There are volunteers who contribute their time to the Institute. No amounts have been recognized in the accompanying consolidated financial statements because the criteria for recognition of such volunteer effort have not been satisfied.

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Income Tax Status

The Institute is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code and is exempt from Oregon state income taxes under Section 317.080 of Oregon Revised Statutes and California franchise taxes under Section 23701d of the Revenue and Taxation Code. It is the opinion of management that all income earned has been related to the Institute's tax-exempt status and there has been no unrelated business income.

The accounting standard requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. Based on the management's analysis of the Institute's tax positions, the accounting for any uncertainty in the Institute's tax positions is not expected to have a material impact on the financial statements.

Property and Equipment

Expenditures for property and equipment greater than or equal to \$500 are capitalized at cost and depreciated over their estimated useful lives using the straight-line method. The fair value of donated capital items is similarly capitalized.

Credit Risk

Financial instruments that potentially subject the Institute to concentrations of credit risk are primarily cash, investments and accounts receivable. The Institute places its cash in financial institutes that are insured in limited amounts by the U.S. government.

Subsequent Events

The Institute has evaluated subsequent events through March 19, 2012, which is the date the financial statements were available to be issued.

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2011

3. OPERATING LEASES

In 2011 the Institute rented two spaces, one in Santa Rosa, California, and one in Portland, Oregon (through September 2011), with monthly payments of \$1,944 and \$235, respectively. The future minimum rental payment required under the long-term non-cancelable lease in Santa Rosa, California, at December 31, 2011 is as follows:

2012	\$ 23,328
2013	<u>23,328</u>
Total	\$ <u>46,656</u>

Rent expenses for the year ended December 31, 2011 were \$25,166.

4. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended December 31, 2011 as follows:

Research and Publications	\$ <u>10,000</u>
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