

METAFOUNDATION dba POST CARBON INSTITUTE
FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

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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

Report on the Financial Statements

I have audited the accompanying financial statements of Metafoundation dba Post Carbon Institute (the "Institute"), an Oregon nonprofit corporation, which comprise the statements of financial position of the Institute as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the Institute as of December 31, 2016 and 2015, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Oakland, California
March 21, 2017

Noe and Company

METAFOUNDATION dba POST CARBON INSTITUTE
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets:		
Cash	\$ 339,603	\$ 476,988
Certificates of Deposit	100,000	-
Accounts Receivable	17,163	40,258
Grants Receivable	100,000	20,000
Prepaid Expenses	<u>8,940</u>	<u>12,449</u>
Total Current Assets	565,706	549,695
Property and Equipment:		
Computer	24,972	25,703
Furniture and Equipment	<u>9,986</u>	<u>9,986</u>
	34,958	35,689
Less: Accumulated Depreciation	<u>(33,981)</u>	<u>(34,457)</u>
Net Property and Equipment	977	1,232
Other Assets		
Grant Receivable - Long Term	100,000	-
Deposits	<u>1,800</u>	<u>1,800</u>
Total Other Assets	<u>101,800</u>	<u>1,800</u>
Total Assets	\$ <u><u>668,483</u></u>	\$ <u><u>552,727</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 21,319	\$ 10,435
Accrued Vacation	<u>12,301</u>	<u>15,270</u>
Total Current Liabilities	<u>33,620</u>	<u>25,705</u>
Total Liabilities	<u>33,620</u>	<u>25,705</u>
Net Assets:		
Unrestricted	419,863	386,549
Temporarily Restricted	<u>215,000</u>	<u>140,473</u>
Total Net Assets	<u>634,863</u>	<u>527,022</u>
Total Liabilities and Net Assets	\$ <u><u>668,483</u></u>	\$ <u><u>552,727</u></u>

See accompanying notes to financial statements

METAFOUNDATION dba POST CARBON INSTITUTE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues:			
Foundation and Community Grants	\$ 471,991	\$ 215,000	\$ 686,991
Contributions	86,618		86,618
Publication Revenue	7,191		7,191
Fees and Other Income	19,933		19,933
Investment Income	1,223		1,223
Net Assets Released from Restrictions	<u>140,473</u>	<u>(140,473)</u>	<u> </u>
Total Support and Revenues	727,429	74,527	801,956
Expenses:			
Program Services:			
Energy Realism	206,009		206,009
Community Resilience	<u>314,318</u>	<u> </u>	<u>314,318</u>
Total Program Services	520,327		520,327
Supporting Services:			
General and Administrative	104,052		104,052
Fundraising	<u>69,736</u>	<u> </u>	<u>69,736</u>
Total Supporting Services	<u>173,788</u>	<u> </u>	<u>173,788</u>
Total Expenses	<u>694,115</u>	<u> </u>	<u>694,115</u>
Change in Net Assets	33,314	74,527	107,841
Net Assets, Beginning of the Year	<u>386,549</u>	<u>140,473</u>	<u>527,022</u>
Net Assets, End of the Year	\$ <u><u>419,863</u></u>	\$ <u><u>215,000</u></u>	\$ <u><u>634,863</u></u>

See accompanying notes to financial statements

METAFOUNDATION dba POST CARBON INSTITUTE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues:			
Foundation and Community Grants	\$ 510,777	\$ 120,473	\$ 631,250
Contributions	77,600		77,600
Publication Revenue	14,879		14,879
Fees and Other Income	13,845		13,845
Investment Income	662		662
Net Assets Released from Restrictions	<u>149,000</u>	<u>(149,000)</u>	<u></u>
 Total Support and Revenues	 766,763	 (28,527)	 738,236
Expenses:			
Program Services:			
Energy Realism	195,405		195,405
Community Resilience	193,623		193,623
Outreach and Engagement	<u>226,176</u>	<u></u>	<u>226,176</u>
 Total Program Services	 615,204		 615,204
Supporting Services:			
General and Administrative	111,124		111,124
Fundraising	<u>67,470</u>	<u></u>	<u>67,470</u>
 Total Supporting Services	 <u>178,594</u>	 <u></u>	 <u>178,594</u>
 Total Expenses	 <u>793,798</u>	 <u></u>	 <u>793,798</u>
 Change in Net Assets	 (27,035)	 (28,527)	 (55,562)
 Net Assets, Beginning of the Year	 <u>413,584</u>	 <u>169,000</u>	 <u>582,584</u>
 Net Assets, End of the Year	 \$ <u><u>386,549</u></u>	 \$ <u><u>140,473</u></u>	 \$ <u><u>527,022</u></u>

See accompanying notes to financial statements

METAFOUNDATION dba POST CARBON INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Energy Realism	Community Resilience	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 139,412	\$ 174,469	\$ 313,881	\$ 65,843	\$ 52,113	\$ 117,956	\$ 431,837
Payroll Taxes	11,697	14,594	26,291	5,593	4,539	10,132	36,423
Benefits	14,515	18,181	32,696	6,853	5,424	12,277	44,973
Total Personnel Costs	165,624	207,244	372,868	78,289	62,076	140,365	513,233
Bank/Credit Card Charges				3,861		3,861	3,861
Contract Services	21,886	86,633	108,519	8,804	87	8,891	117,410
Creative and Media Communication	1,381	79	1,460		30	30	1,490
Depreciation	271	339	610	128	101	229	839
Insurance	1,231	1,541	2,772	581	460	1,041	3,813
Office Expenses	319		319	524	20	544	863
Postage and Shipping	306	33	339	128	72	200	539
Occupancy	7,531	9,425	16,956	3,557	2,815	6,372	23,328
Supplies	2,246	3,448	5,694	1,304	844	2,148	7,842
Travel and Entertainment	2,663	2,762	5,425	5,857	2,494	8,351	13,776
Telephone and Internet	2,551	2,814	5,365	1,019	737	1,756	7,121
Total Expense	<u>\$ 206,009</u>	<u>\$ 314,318</u>	<u>\$ 520,327</u>	<u>\$ 104,052</u>	<u>\$ 69,736</u>	<u>\$ 173,788</u>	<u>\$ 694,115</u>

See accompanying notes to financial statements.

METAFOUNDATION dba POST CARBON INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	<u>Energy Realism</u>	<u>Community Resilience</u>	<u>Outreach and Engagement</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$ 118,345	\$ 112,187	\$ 165,840	\$ 396,372	\$ 62,393	\$ 48,576	\$ 110,969	\$ 507,341
Payroll Taxes	9,517	9,347	14,023	32,887	5,236	3,973	9,209	42,096
Benefits	<u>13,642</u>	<u>12,950</u>	<u>19,109</u>	<u>45,701</u>	<u>6,596</u>	<u>5,597</u>	<u>12,193</u>	<u>57,894</u>
Total Personnel Costs	141,504	134,484	198,972	474,960	74,225	58,146	132,371	607,331
Bank/Credit Card Charges					5,713		5,713	5,713
Conference and Meeting	2,521	231	79	2,831				2,831
Contract Services	30,311	44,684	10,554	85,549	20,496	47	20,543	106,092
Creative and Media Communication	5,962	233		6,195				6,195
Depreciation	328	311	459	1,098	173	134	307	1,405
Insurance	837	793	1,172	2,802	441	343	784	3,586
Office Expenses	210	25		235	473		473	708
Postage and Shipping	405	297	143	845	21	62	83	928
Printing and Duplication	382	45	524	951		34	34	985
Occupancy	5,442	5,158	7,625	18,225	2,869	2,234	5,103	23,328
Supplies	1,570	3,324	2,881	7,775	62	1,529	1,591	9,366
Travel and Entertainment	4,378	2,315	(226)	6,467	5,831	3,943	9,774	16,241
Telephone and Internet	<u>1,555</u>	<u>1,723</u>	<u>3,993</u>	<u>7,271</u>	<u>820</u>	<u>998</u>	<u>1,818</u>	<u>9,089</u>
 Total Expense	 <u>\$ 195,405</u>	 <u>\$ 193,623</u>	 <u>\$ 226,176</u>	 <u>\$ 615,204</u>	 <u>\$ 111,124</u>	 <u>\$ 67,470</u>	 <u>\$ 178,594</u>	 <u>\$ 793,798</u>

See accompanying notes to financial statements.

METAFoundation dba POST CARBON INSTITUTE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

Cash Flows From Operating Activities:	<u>2016</u>	<u>2015</u>
Change in Net Assets	\$ 107,841	\$ (55,562)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	839	1,405
Changes in Operating Assets and Liabilities:		
Decrease in Accounts Receivable	23,095	35,123
Decrease (Increase) in Grants Receivable	(180,000)	15,000
Decrease in Prepaid Expenses	3,509	3,750
Increase (Decrease) in Accounts Payable	10,884	(3,790)
Increase (Decrease) in Accrued Vacation	<u>(2,969)</u>	<u>3,782</u>
Net Cash Used in Operating Activities	<u>(36,801)</u>	<u>(292)</u>
Cash Flows From Investing Activities:		
Purchases of Certificates of Deposit	(100,000)	-
Purchases of Property and Equipment	<u>(584)</u>	<u>(1,316)</u>
Net Cash Used in Investing Activities	<u>(100,584)</u>	<u>(1,316)</u>
Net Decrease in Cash	(137,385)	(1,608)
Cash, Beginning of Year	<u>476,988</u>	<u>478,596</u>
Cash, End of Year	\$ <u>339,603</u>	\$ <u>476,988</u>

See accompanying notes to financial statements

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

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. The Institute envisions a world of resilient communities and re-localized economies that thrive within ecological bounds.

The Institute has established the following programs and initiatives:

Energy Realism

While energy is both the root of our sustainability crises and key to resolving them, a fundamental lack of energy literacy exists - even among those actively engaged in the conversation about our energy future. This is evidenced on two sides of the spectrum, both among those who believe the “shale revolution” will usher in a new era of energy abundance and others who are convinced that renewable energy can fully provide the lifestyles to which we’ve grown accustomed. Through our Energy Realism Program, the Institute engages with energy media, environmental/energy advocacy groups, policymakers, and concerned individuals to share an evidence-based story of our energy reality. We inspire these constituencies to raise questions about our energy trajectory, to embrace the need to use less energy, and to adopt conservation and community-scale, renewable energy.

Highlights in 2016 include:

- The publication of *Our Renewable Future*, co-authored by Fellow Richard Heinberg and David Fridley, exploring the opportunities and challenges of the transition to a 100% Renewable Energy Future;
- A series of six recorded discussions with experts exploring the renewable energy transition in terms of the food system, justice, consumerism, the economy, infrastructure, and technology (<http://ourrenewablefuture.org/the-future/>); and
- The publication of two reports challenging overly optimistic projections of shale gas and tight oil production by the Department of Energy’s Energy Information Administration (<http://shalebubble.org>).

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2016 and 2015

1. ORGANIZATION (Continued)

Community Resilience

The Institute believes that building community resilience is one of the most impactful, but under-invested, strategies for addressing the 21st century's sustainability crises. We support community resilience-building by merging thought leadership with on-the-ground efforts, all while grounding community resilience in resilience science and systems thinking. Recognizing that communities are the key to effective change and that resilience-building is an emerging process, the Institute offers a robust resource platform, [resilience.org](http://www.resilience.org), publications, public presentations, and multimedia to bring the best ideas and models for relocalizing economies and building a sustainable future.

Highlights in 2016 include:

- Publication of nearly 2,000 articles and over 100 resources at [resilience.org](http://www.resilience.org), which received 2.4 million visits from over 1.3 million unique visitors over the year (<http://www.resilience.org>);
- A series of presentations to national, regional, and locally-based organizations on the topics of community resilience, including a guest residency at Green Mountain College and full-day workshop at the annual Community Action Partnership meeting; and
- The development of a 22-part, 4-hour long online course called *Think Resilience: Preparing Communities for the Rest of the 21st Century and Community Resilience Reader*, a collection of original essays from leading thinkers and practitioners that explore the complexity of our interconnected sustainability crises, the roots and implications of resilience science, and the practical actions communities can take to build resilience.

Outreach and Engagement

In 2016, Outreach and Engagement was merged with our Energy Realism and Community Resilience programs, as our outreach, communications, and partnership efforts were conducted largely in support of those two programmatic areas of focus. In 2015, Post Carbon Institute defined this program as our focus on “changing the conversation,” by delving beneath the surface of the existing debate to inform deeper thinking and provoke new ways of understanding. Through outreach (like our Speakers Bureau), communication (like our award-winning videos), and engagement (like the Our Renewable Future outreach campaign) we tell a different kind of story, grounded on solid research and backed by findings from PCI publications and those of our Fellows.

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The 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.

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, 2016 and 2015.

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
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2016 and 2015

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.

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 financial statements because the criteria for recognition of such volunteer effort have not been satisfied.

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.

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certificates of Deposit

Certificates of deposit are carried at market value.

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 institutions that are insured in limited amounts by the U.S. government.

Subsequent Events

The Institute has evaluated subsequent events through March 21, 2017, which is the date the financial statements were available to be issued.

3. OPERATING LEASE

The Institute rented an office space in Santa Rosa, California, with a monthly payment of \$1,944, on a month to month basis.

Rent expenses were \$23,328 for the years ended December 31, 2016 and 2015, respectively.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in accordance with donor restrictions at December 31, 2016 and 2015, as follows:

	<u>2016</u>	<u>2015</u>
Energy Realism	\$ 15,000	\$ 27,473
Community Resilience	-	93,000
General and Administrative	<u>200,000</u>	<u>20,000</u>
Total	\$ <u><u>215,000</u></u>	\$ <u><u>140,473</u></u>

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2016 and 2015

5. 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 years ended December 31, 2016 and 2015, as follows:

	<u>2016</u>	<u>2015</u>
Energy Realism	\$ 27,473	\$ 110,000
Community Resilience	93,000	13,000
General and Administrative	<u>20,000</u>	<u>26,000</u>
Total	\$ <u><u>140,473</u></u>	\$ <u><u>149,000</u></u>