

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2009

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2009

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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 Subsidiary, Post Carbon Incorporated, a California corporation, as of December 31, 2009, 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 Subsidiary as of December 31, 2009, 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.

Noe and Company

Oakland, California
April 19, 2010

METAFoundation dba POST CARBON INSTITUTE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2009

Assets

Current Assets:

Cash	\$ 602,406
Accounts Receivable	10,913
Prepaid Expenses	<u>10,861</u>
Total Current Assets	624,180

Property and Equipment:

Computer	51,877
Software	13,835
Furniture and Equipment	<u>19,432</u>
	85,144
Less: Accumulated Depreciation	<u>(55,698)</u>
Net Property and Equipment	29,446

Deposits	<u>1,800</u>
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Total Assets	\$ <u><u>655,426</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 23,724
Accrued Vacation	<u>14,733</u>
Total Current Liabilities	<u>38,457</u>

Total Liabilities	<u>38,457</u>
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Net Assets:

Unrestricted	441,969
Temporarily Restricted	<u>175,000</u>

Total Net Assets	<u>616,969</u>
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Total Liabilities and Net Assets	\$ <u><u>655,426</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, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>OPERATING:</u>			
Support and Revenues:			
Foundation Grants	\$ 10,000	\$ 175,000	\$ 185,000
Contributions	14,642		14,642
Special Events	14,612		14,612
Fees and Other Income	36,275		36,275
Investment Income	2,018		2,018
Net Assets Released from Restrictions	<u>1,200,000</u>	\$ <u>(1,200,000)</u>	
Total Support and Revenues	1,277,547	(1,025,000)	<u>252,547</u>
Expenses:			
Program Services:			
Research and Publications	276,402		276,402
Speakers Bureau	121,588		121,588
Transition Initiatives	209,210		209,210
Energy Bulletin	19,892		19,892
Outreach and Communications	297,578		297,578
Post Carbon Incorporated	<u>12,415</u>		<u>12,415</u>
Total Program Services	937,085		937,085
Supporting Services:			
General and Administrative	181,457		181,457
Fundraising	<u>72,762</u>		<u>72,762</u>
Total Supporting Services	<u>254,219</u>		<u>254,219</u>
Total Expenses	<u>1,191,304</u>		<u>1,191,304</u>
Change in Net Assets from Operating Activities	86,243	(1,025,000)	(938,757)
<u>NONOPERATING:</u>			
Book Sales	16,803		16,803
Costs of Goods Sold	(19,794)		(19,794)
Loss on Investment Impairment	(100,000)		(100,000)
Loss on Disposal of Fixed Assets	(39,188)		(39,188)
Loss on Disposal of Inventory	<u>(17,421)</u>		<u>(17,421)</u>
Change in Net Assets from Nonoperating Activities	<u>(159,600)</u>		<u>(159,600)</u>
Change in Net Assets Before Provision of Income Taxes	(73,357)	(1,025,000)	(1,098,357)
Income Taxes - State	<u>(800)</u>		<u>(800)</u>
Change in Net Assets	(74,157)	(1,025,000)	(1,099,157)
Net Assets, Beginning of the Year	<u>516,126</u>	<u>1,200,000</u>	<u>1,716,126</u>
Net Assets, End of the Year	\$ <u><u>441,969</u></u>	\$ <u><u>175,000</u></u>	\$ <u><u>616,969</u></u>

See accompanying notes to consolidated financial statements

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

	Research and Publications	Speakers Bureau	Transition Initiatives	Energy Bulletin	Outreach and Communications	Post Carbon Incorporated	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 182,049	\$ 87,851	\$ 7,864	\$ 222	\$ 100,707	\$ -	\$ 378,693	\$ 73,049	\$ 48,740	\$ 121,789	\$ 500,482
Payroll Taxes	15,702	7,400	671	17	9,366		33,156	6,488	4,420	10,908	44,064
Benefits	14,739	7,713			7,367		29,819	11,296	4,254	15,550	45,369
Total Personnel Costs	212,490	102,964	8,535	239	117,440		441,668	90,833	57,414	148,247	589,915
Bank/Credit Card Charges		10				959	969	3,473	0	3,473	4,442
Conference and Meeting			207		2,371	0	2,578	759	899	1,658	4,236
Contract Services	50,246	9,478	859	19,636	165,736	4,545	250,500	17,902	8,214	26,116	276,616
Depreciation						2,159	2,159	15,509		15,509	17,668
Equipment Lease and maintenance					1,063	2,387	3,450	348		348	3,798
Grants and Awards			198,700				198,700				198,700
Insurance								1,919		1,919	1,919
Postage and Shipping	109	140	17		89	73	428	385	528	913	1,341
Printing and Duplication	242				1,270		1,512	2,182	260	2,442	3,954
Rent	6,623	3,251			2,759		12,633	4,319	2,095	6,414	19,047
Supplies	718	25	855		3,489		5,087	14,191	386	14,577	19,664
Staff Training					150		150	1,245	985	2,230	2,380
Travel and Entertainments	5,211	5,381	35		3,062	11	13,700	9,372	1,735	11,107	24,807
Telephone and Internet	276	160	2	17	149	1,343	1,947	11,730	246	11,976	13,923
Miscellaneous	487	179				938	1,604	7,290		7,290	8,894
Total Expense	\$ 276,402	\$ 121,588	\$ 209,210	\$ 19,892	\$ 297,578	\$ 12,415	\$ 937,085	\$ 181,457	\$ 72,762	\$ 254,219	\$ 1,191,304

See accompanying notes to consolidated financial statements.

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2009

Cash Flows From Operating Activities:

Change in Net Assets	\$ (1,099,157)
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Adjustments to Reconcile Change in Net Assets
to Net Cash Provided Operating Activities:

Depreciation	17,668
Loss on Investment Impairment	100,000
Loss on Disposal of Fixed Assets	39,188
Loss on Disposal of Inventory	17,421

Changes in Operating Assets and Liabilities:

Decrease in Accounts Receivable	3,980
Decrease in Pledge Receivable	1,100,000
Increase in Prepaid Expenses	(1,350)
Increase in Deposits	(283)
Decrease in Accounts Payable	(5,999)
Decrease in Payroll Taxes Payable	(19,174)
Increase in Accrued Vacation	<u>14,733</u>

Net Cash Provided by Operating Activities	<u>167,027</u>
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Cash Flows From Investing Activities:

Purchase of Inventory	(1,252)
Purchases of Property and Equipment	(9,614)
Proceeds from Sale of Property and Equipment	<u>50,047</u>

Net Cash Provided by Investing Activities	<u>39,181</u>
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Net Increase in Cash	206,208
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Cash, Beginning of Year	<u>396,198</u>
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Cash, End of Year	\$ <u><u>602,406</u></u>
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Supplemental Disclosure of Cash Flow Information:

Income Taxes Paid	\$ <u><u>800</u></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, 2009

1. ORGANIZATION

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

Post Carbon 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.

Post Carbon Institute has established the following programs and initiatives:

Research and Publications: Every year, the Institute publishes a range of books, reports, articles, commentaries, and blog posts that aim to build awareness, challenge misconceptions, promote promising models, and inspire action. Together these publications provide both an in-depth understanding of the key crises of our times and an integrated roadmap for the transition at hand.

Speakers Bureau: Our Fellows, staff, and board include renowned educators and public speakers. The Institute provides conference organizers, universities, community groups, government agencies, and others with inspiring experts who share deep insights about the challenges at hand and the ways forward.

Transition Initiatives: The Institute works closely with Transition U.S., the national support hub for Transition Town efforts in the United States. This unique collaboration brings our Fellows’ knowledge and ideas to the Transition movement, and provides our Fellows with immediate feedback on emerging models and on-the-ground challenges and opportunities. In 2009, the Institute provided seed funding and other support to launch Transition U.S.

Energy Bulletin: EnergyBulletin.net is a tremendous resource for people looking to gain deeper insight into our energy dilemma and related sustainability issues. A great forum for new voices and new ideas, EnergyBulletin.net explores energy-related impacts on food, population, culture, and more through original articles and multimedia.

Outreach and Communications: The Institute’s primary audience consists of media, concerned individuals and communities, NGO allies, and policymakers. The Institute also reaches out to the broader public, although as a secondary target for 2009-2011. Communication flows through traditional channels, such as targeted press releases and direct contact, as well as new media outlets (Facebook, Twitter, etc.) and special programs (PCI Exchanges). As a leading “3E” (Energy, Environment, and Economy) think tank, the Institute and its Fellows are featured in numerous newspapers, magazines, television, radio, and blogs.

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2009

1. ORGANIZATION (Continued)

Post Carbon Incorporated: In July 2009, Post Carbon Incorporated (the "Subsidiary"), a California corporation, became a wholly owned subsidiary of the Institute by a donor's stock contribution. The Subsidiary is a taxable entity to start, develop, and offer organizational assistance and financial support to educational and charitable programs, projects, and organizations that conduct research, policy analysis, communication, and demonstration projects that help educate and assist humanity in its difficult transitions to ways of living that understand the limits of our biosphere.

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.

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.

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, 2009.

METAFoundation dba POST CARBON INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$400 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. Total uninsured balance at December 31, 2009 was \$ 95,959.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the rates of exchange ruling on the transaction date. Monetary items denominated in foreign currencies other than the functional currency are translated at rates of exchange ruling at the year end.

Subsequent Events

The Institute has evaluated subsequent events through April 19, 2010, 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, 2009

3. OPERATING LEASES

The Institute rents two office spaces, one in Santa Rosa, California, and one in Portland, Oregon, with monthly payments of \$ 1,800 and \$ 235, respectively. The future minimum rental payments required under this long-term non-cancelable leases at December 31, 2009 are as follows:

December 31, 2010	\$ 21,600
2011	<u>21,600</u>
Total	\$ <u>43,200</u>

Rent expenses for the year ended December 31, 2009 was \$ 19,047.

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, 2009 as follows:

Released Time Restriction	\$ <u>1,200,000</u>
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5. TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes at December 31, 2009:

Time Restriction	\$ <u>175,000</u>
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