

**METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**Year Ended December 31, 2010**

**METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2010**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6





**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, 2010, 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, 2010, 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 15, 2011

*Noe and Company*



**METAFoundation dba POST CARBON INSTITUTE AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2010**

**Assets**

Current Assets:

Cash	\$ 447,305
Accounts Receivable	20,787
Grants Receivable	20,000
Prepaid Expenses	<u>11,733</u>
Total Current Assets	499,825

Property and Equipment:

Computer	38,875
Software	2,232
Furniture and Equipment	<u>15,256</u>
	56,363
Less: Accumulated Depreciation	<u>(43,268)</u>
Net Property and Equipment	13,095

Deposits	<u>1,800</u>
----------	--------------

Total Assets	\$ <u><u>514,720</u></u>
--------------	--------------------------

**Liabilities and Net Assets**

Current Liabilities:

Accounts Payable	\$ 17,313
Accrued Vacation	<u>19,973</u>
Total Current Liabilities	<u>37,286</u>

Total Liabilities	<u>37,286</u>
-------------------	---------------

Net Assets:

Unrestricted	467,434
Temporarily Restricted	<u>10,000</u>

Total Net Assets	<u>477,434</u>
------------------	----------------

<b>Total Liabilities and Net Assets</b>	<b>\$ <u><u>514,720</u></u></b>
---	---------------------------------

See accompanying notes to consolidated financial statements

**METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>OPERATING:</u></b>			
<b>Support and Revenues:</b>			
Foundation and Community Grants	\$ 855,000	\$ 10,000	\$ 865,000
Contributions	65,068		65,068
Fees and Other Income	44,169		44,169
Investment Income	2,557		2,557
Net Assets Released from Restrictions	<u>175,000</u>	<u>(175,000)</u>	
Total Support and Revenues	1,141,794	(165,000)	976,794
<b>Expenses:</b>			
Program Services:			
Research and Publications	443,316		443,316
Speakers Bureau	119,680		119,680
Supporting Transition	112,606		112,606
Energy Bulletin	30,190		30,190
Outreach and Communications	154,676		154,676
New Initiatives	10,904		10,904
Post Carbon Incorporated	<u>1,971</u>		<u>1,971</u>
Total Program Services	873,343		873,343
Supporting Services:			
General and Administrative	115,895		115,895
Fundraising	<u>113,333</u>		<u>113,333</u>
Total Supporting Services	<u>229,228</u>		<u>229,228</u>
Total Expenses	<u>1,102,571</u>		<u>1,102,571</u>
Change in Net Assets from Operating Activities	39,223	(165,000)	(125,777)
<b><u>NONOPERATING:</u></b>			
Book Sales	8,865		8,865
Costs of Goods Sold	(6,441)		(6,441)
Loss on Disposal of Fixed Assets	<u>(15,382)</u>		<u>(15,382)</u>
Change in Net Assets from Nonoperating Activities	<u>(12,958)</u>		<u>(12,958)</u>
Change in Net Assets Before Provision of Income Taxes	26,265	(165,000)	(138,735)
Income Taxes - State	<u>(800)</u>		<u>(800)</u>
Change in Net Assets	25,465	(165,000)	(139,535)
Net Assets, Beginning of the Year	<u>441,969</u>	<u>175,000</u>	<u>616,969</u>
Net Assets, End of the Year	\$ <u>467,434</u>	\$ <u>10,000</u>	\$ <u>477,434</u>

See accompanying notes to consolidated financial statements



METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2010

	Research and Publications	Speakers Bureau	Supporting Transition	Energy Bulletin	Outreach and Communications	New Initiatives	Post Carbon Incorporated	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 171,447	\$ 81,395	\$ 9,967	\$ 2,025	\$ 87,762	\$ 6,628	\$ -	\$ 359,224	\$ 52,052	\$ 79,508	\$ 131,560	\$ 490,784
Payroll Taxes	15,004	6,497	876	174	7,625	516		30,692	3,771	6,946	10,717	41,409
Benefits	19,300	8,601			9,468	728		38,097	6,149	8,905	15,054	53,151
Total Personnel Costs	205,751	96,493	10,843	2,199	104,855	7,872		428,013	61,972	95,359	157,331	585,344
Advertising and Marketing	9,916				9,305	1,190	380	20,791	25	126	151	20,942
Bank/Credit Card Charges							182	182	4,037		4,037	4,219
Conference and Meeting	3,450				1,715			5,165	35	375	410	5,575
Contract Services	168,102	14,511	89	27,931	21,130	546	1,328	233,637	19,278	6,947	26,225	259,862
Depreciation	2,227	1,058			1,140	86		4,511	676	1,034	1,710	6,221
Equipment Lease and maintenance		402						402	522		522	924
Grants and Awards			100,000					100,000				100,000
Insurance									3,495		3,495	3,495
Postage and Shipping	1,655	3			111			1,769	321	374	695	2,464
Printing and Duplication	512	86			583			1,181	48	717	765	1,946
Rent	8,598	3,997			4,541	342		17,478	2,605	4,076	6,681	24,159
Supplies	2,323	811			2,386	27		5,547	7,177	432	7,609	13,156
Staff Training					275			275	392		392	667
Travel and Entertainments	40,415	2,281	286	45	9,036	841		52,904	1,807	3,861	5,668	58,572
Telephone and Internet	10	55		15	7			87	10,320		10,320	10,407
Utility	44	19			22			85	958	21	979	1,064
Miscellaneous	313	(36)	1,388		(430)		81	1,316	2,227	11	2,238	3,554
Total Expense	\$ 443,316	\$ 119,680	\$ 112,606	\$ 30,190	\$ 154,676	\$ 10,904	\$ 1,971	\$ 873,343	\$ 115,895	\$ 113,333	\$ 229,228	\$ 1,102,571

See accompanying notes to consolidated financial statements.

**METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2010**

**Cash Flows From Operating Activities:**

Change in Net Assets	\$ (139,535)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	6,221
Loss on Disposal of Fixed Assets	15,382
Changes in Operating Assets and Liabilities:	
Increase in Accounts Receivable	(9,874)
Increase in Grants Receivable	(20,000)
Increase in Prepaid Expenses	(872)
Decrease in Accounts Payable	(6,411)
Increase in Accrued Vacation	<u>5,240</u>
Net Cash Used in Operating Activities	<u>(149,849)</u>

**Cash Flows From Investing Activities:**

Purchases of Property and Equipment	<u>(5,252)</u>
Net Cash Used in Investing Activities	<u>(5,252)</u>
Net Decrease in Cash	(155,101)
Cash, Beginning of Year	<u>602,406</u>
<b>Cash, End of Year</b>	<b>\$ <u>447,305</u></b>

**Supplemental Disclosure of Cash Flow Information:**

Income Taxes Paid	\$ <u>800</u>
-------------------	---------------



**METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2010**

**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 21<sup>st</sup> 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.

**Supporting Transition:** 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. The Institute provides funding and in-kind services to support 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. 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, 2010**

**1. ORGANIZATION (Continued)**

**New Initiatives:** In order to respond effectively to new opportunities and rapidly changing world events, the Institute occasionally engages in efforts that fall outside the realm of our core programs. Some initiatives are low cost one-time efforts while others are exploratory work that may grow to become ongoing programs.

**Post Carbon Incorporated:** Post Carbon Incorporated is a California corporation and a wholly owned subsidiary of the Institute. Post Carbon Incorporated is a taxable entity and its revenue comes from sales and book royalties from publications available through it.

**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, 2010.



**METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2010**

**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.

**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.

**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.



**METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 institutions that are insured in limited amounts by the U.S. government. Total uninsured balance at December 31, 2010 was \$1,255.



**METAFOUNDATION dba POST CARBON INSTITUTE AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

The Institute has evaluated subsequent events through March 15, 2011, which is the date the financial statements were available to be issued.

**3. OPERATING LEASES**

The Institute rents two office spaces, one in Santa Rosa, California, and one in Portland, Oregon, with monthly payments of \$1,944 and \$220, respectively. The future minimum rental payments required under this long-term non-cancelable leases at December 31, 2010 are as follows:

December 31, 2011	\$ <u>20,318</u>
-------------------	------------------

Rent expenses for the year ended December 31, 2010 was \$24,159.

**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, 2010 as follows:

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

**5. TEMPORARILY RESTRICTED NET ASSETS**

Net assets were temporarily restricted for the following purposes at December 31, 2010:

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