

METAFOUNDATION dba POST CARBON INSTITUTE
FINANCIAL STATEMENTS

Year Ended December 31, 2012

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FINANCIAL STATEMENTS
Year Ended December 31, 2012

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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 financial statements of Metafoundation dba Post Carbon Institute (the "Institute"), an Oregon nonprofit corporation, which comprise the statement of financial position of the Institute as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year 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 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 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 position of the Institute as of December 31, 2012, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Oakland, California
March 14, 2013

Noe and Company

METAFOUNDATION dba POST CARBON INSTITUTE
STATEMENT OF FINANCIAL POSITION
December 31, 2012

Assets

Current Assets:

Cash	\$ 604,299
Accounts Receivable	8,836
Grants Receivable	47,500
Prepaid Expenses	<u>23,001</u>
Total Current Assets	683,636

Property and Equipment:

Computer	25,048
Furniture and Equipment	<u>9,986</u>
	35,034
Less: Accumulated Depreciation	<u>(29,936)</u>
Net Property and Equipment	5,098

Deposits	<u>1,800</u>
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Total Assets	\$ <u><u>690,534</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 20,066
Accrued Vacation	<u>21,019</u>
Total Current Liabilities	<u>41,085</u>

Total Liabilities	<u>41,085</u>
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Net Assets:

Unrestricted	550,996
Temporarily Restricted	<u>98,453</u>

Total Net Assets	<u>649,449</u>
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Total Liabilities and Net Assets	\$ <u><u>690,534</u></u>
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See accompanying notes to financial statements

METAFOUNDATION dba POST CARBON INSTITUTE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues:			
Foundation and Community Grants	\$ 716,297	98,453	\$ 814,750
Contributions	52,397		52,397
Publication revenue	63,910		63,910
Fees and Other Income	47,495		47,495
Investment Income	<u>1,498</u>		<u>1,498</u>
Total Support and Revenues	881,597	98,453	980,050
Expenses:			
Program Services:			
Community Resilience	189,322		189,322
Energy Reality	180,759		180,759
Creative Communications	218,322		218,322
Life After Growth	<u>111,716</u>		<u>111,716</u>
Total Program Services	700,119		700,119
Supporting Services:			
General and Administrative	97,155		97,155
Fundraising	<u>95,180</u>		<u>95,180</u>
Total Supporting Services	<u>192,335</u>		<u>192,335</u>
Total Expenses	<u>892,454</u>		<u>892,454</u>
Change in Net Assets	(10,857)	98,453	87,596
Net Assets, Beginning of the Year	<u>561,853</u>		<u>561,853</u>
Net Assets, End of the Year	\$ <u>550,996</u>	\$ <u>98,453</u>	\$ <u>649,449</u>

See accompanying notes to financial statements

METAFOUNDATION dba POST CARBON INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012

	Community Resilience	Energy Reality	Creative Communications	Life After Growth	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 79,422	\$ 91,102	\$ 108,330	\$ 85,647	\$ 364,501	\$ 61,598	\$ 67,104	\$ 128,702	\$ 493,203
Payroll Taxes	6,852	8,028	9,148	7,085	31,113	5,367	5,776	11,143	42,256
Benefits	8,999	10,150	12,005	9,706	40,860	6,963	7,365	14,328	55,188
Total Personnel Costs	95,273	109,280	129,483	102,438	436,474	73,928	80,245	154,173	590,647
Advertising and Marketing	3,998	23,868	13,472	13	41,351	11	943	954	42,305
Bank/Credit Card Charges						4,422		4,422	4,422
Contract Services	79,313	30,138	54,447	108	164,006	9,805	1,827	11,632	175,638
Depreciation	661	758	902	713	3,034	511	558	1,069	4,103
Insurance	420	496	554	453	1,923	852	346	1,198	3,121
Office Expenses	179	36	316	29	560	1,190	81	1,271	1,831
Postage and Shipping	13	4,722	792	6	5,533	29	1,292	1,321	6,854
Printing and Duplication	79	246	575	57	957	45	563	608	1,565
Occupancy	4,360	4,927	5,934	4,675	19,896	3,374	3,691	7,065	26,961
Supplies	1,005	1,715	1,604	846	5,170	875	1,458	2,333	7,503
Travel and Entertainments	2,341	2,461	7,200	568	12,570	780	2,438	3,218	15,788
Telephone and Internet	1,680	2,112	3,043	1,810	8,645	1,333	1,738	3,071	11,716
Total Expense	\$ 189,322	\$ 180,759	\$ 218,322	\$ 111,716	\$ 700,119	\$ 97,155	\$ 95,180	\$ 192,335	\$ 892,454

See accompanying notes to financial statements.

METAFOUNDATION dba POST CARBON INSTITUTE
STATEMENT OF CASH FLOWS
Year Ended December 31, 2012

Cash Flows From Operating Activities:

Change in Net Assets	\$ 87,596
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	4,103
Changes in Operating Assets and Liabilities:	
Decrease in Accounts Receivable	17,919
Increase in Grants Receivable	(47,500)
Increase in Prepaid Expenses	(4,403)
Increase in Accounts Payable	9,980
Decrease in Accrued Vacation	<u>(7,285)</u>
Net Cash Provided by Operating Activities	<u>60,410</u>

Cash Flows From Investing Activities:

Purchases of Property and Equipment	<u>(1,975)</u>
Net Cash Used in Investing Activities	<u>(1,975)</u>
Net Increase in Cash	58,435
Cash, Beginning of Year	<u>545,864</u>
Cash, End of Year	\$ <u><u>604,299</u></u>

METAFUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2012

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:

Community Resilience: The Community Resilience Initiative brings the best local resilience-building ideas and models to thousands of communities. The Institute helps build their capacity to respond effectively to the emerging crises of the 21st century, and build a collaborative network of communities, community leaders, and experts in four areas: growing local food security; producing local, renewable energy; investing in the local economy; and planning locally for a sustainable future.

Energy Reality: The Energy Reality Campaign reaches environmental groups and activists across the spectrum to sow the seeds of greater energy literacy. The campaign supports the emergence of a more systemic understanding of the interrelationship among energy, the economy, and the natural world. This, in turn, is helping to shift the public conversation from wanting more to needing less, and valuing what we have.

Creative Communications: The Institute delves beneath the surface of the existing debate to inform deeper thinking and provoke new understanding. The Institute’s creative communications —grounded on solid research and backed by findings from the Institute’s publications and those of our Fellows —tap into the human experience through narrative, humor, and imagination to engage a broad community of thought leaders, concerned individuals and communities, allies, and press. Our tools include multi-media narrative; web and social media; a speaker’s bureau; and ally, media, and academic engagement.

Life After Growth: The Institute’s Senior-Fellow-in-Residence Richard Heinberg’s most recent book, *The End of Growth*, argues that humanity has reached a fundamental turning point, as the trajectory of industrial civilization collides with non-negotiable natural limits. Through the Life After Growth project, the Institute supports thought leaders, policymakers, communities, and families in building a new economy that operates within Earth’s budget of energy and resources, and helps catalyze a movement to create this healthier world.

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2012

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, 2012.

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.

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
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2012

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

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2012

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 \$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 14, 2013, which is the date the financial statements were available to be issued.

3. OPERATING LEASES

In 2012 the Institute rented an office space in Santa Rosa, California, with monthly payments of \$1,944. The future minimum rental payment required under the long-term non-cancelable lease in Santa Rosa, California, at December 31, 2012 is as follows:

Year Ending December 31, 2013	\$ <u>23,328</u>
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Rent expenses for the year ended December 31, 2012 were \$26,448.

METAFoundation dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended December 31, 2012

4. TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes at December 31, 2012:

Energy Reality	\$ <u>98,453</u>
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