

METAFOUNDATION dba POST CARBON INSTITUTE
FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 16, 2016

Noe and Company

METAFOUNDATION dba POST CARBON INSTITUTE
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets:		
Cash	\$ 476,988	\$ 478,596
Accounts Receivable	40,258	75,381
Grants Receivable	20,000	35,000
Prepaid Expenses	<u>12,449</u>	<u>16,199</u>
Total Current Assets	549,695	605,176
Property and Equipment:		
Computer	25,703	26,635
Furniture and Equipment	<u>9,986</u>	<u>9,986</u>
	35,689	36,621
Less: Accumulated Depreciation	<u>(34,457)</u>	<u>(35,300)</u>
Net Property and Equipment	1,232	1,321
Deposits	<u>1,800</u>	<u>1,800</u>
Total Assets	\$ <u><u>552,727</u></u>	\$ <u><u>608,297</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 10,435	\$ 14,225
Accrued Vacation	<u>15,270</u>	<u>11,488</u>
Total Current Liabilities	<u>25,705</u>	<u>25,713</u>
Total Liabilities	<u>25,705</u>	<u>25,713</u>
Net Assets:		
Unrestricted	386,549	413,584
Temporarily Restricted	<u>140,473</u>	<u>169,000</u>
Total Net Assets	<u>527,022</u>	<u>582,584</u>
Total Liabilities and Net Assets	\$ <u><u>552,727</u></u>	\$ <u><u>608,297</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 ACTIVITIES
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues:			
Foundation and Community Grants	\$ 450,785	\$ 169,000	\$ 619,785
Contributions	145,760		145,760
Publication Revenue	26,986		26,986
Fees and Other Income	21,053		21,053
Investment Income	<u>1,138</u>	<u> </u>	<u>1,138</u>
 Total Support and Revenues	 645,722	 169,000	 814,722
Expenses:			
Program Services:			
Energy Realism	158,402		158,402
Community Resilience	103,691		103,691
Busting the Shale Hype	188,912		188,912
Outreach and Engagement	<u>278,855</u>	<u> </u>	<u>278,855</u>
 Total Program Services	 729,860		 729,860
Supporting Services:			
General and Administrative	105,630		105,630
Fundraising	<u>60,326</u>	<u> </u>	<u>60,326</u>
 Total Supporting Services	 <u>165,956</u>	 <u> </u>	 <u>165,956</u>
 Total Expenses	 <u>895,816</u>	 <u> </u>	 <u>895,816</u>
 Change in Net Assets	 (250,094)	 169,000	 (81,094)
 Net Assets, Beginning of the Year	 <u>663,678</u>	 <u> -</u>	 <u>663,678</u>
 Net Assets, End of the Year	 \$ <u>413,584</u>	 \$ <u>169,000</u>	 \$ <u>582,584</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	13,642	12,950	19,109	45,701	6,596	5,597	12,193	57,894
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 Entertainments	4,378	2,315	(226)	6,467	5,831	3,943	9,774	16,241
Telephone and Internet	1,555	1,723	3,993	7,271	820	998	1,818	9,089
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
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Energy Realism	Community Resilience	Busting the Shale Hype	Outreach and Engagement	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 96,877	\$ 33,977	\$ 80,942	\$ 188,474	\$ 400,270	\$ 67,530	\$ 43,552	\$ 111,082	\$ 511,352
Payroll Taxes	8,416	2,834	6,906	15,456	33,612	5,772	3,739	9,511	43,123
Benefits	9,958	3,487	8,334	19,375	41,154	6,937	4,446	11,383	52,537
Total Personnel Costs	115,251	40,298	96,182	223,305	475,036	80,239	51,737	131,976	607,012
Bank/Credit Card Charges						5,326		5,326	5,326
Conference and Meeting	233	1,066	1,078	277	2,654	83	59	142	2,796
Contract Services	30,050	55,515	36,297	30,733	152,595	11,136	1,789	12,925	165,520
Creative and Media Communication	700		25,950	903	27,553	83		83	27,636
Depreciation	462	162	386	900	1,910	322	208	530	2,440
Grants and Awards			15,000		15,000				15,000
Insurance	625	219	522	1,216	2,582	436	281	717	3,299
Office Expenses		49			49	1,050		1,050	1,099
Postage and Shipping	864	38	41	100	1,043	56	45	101	1,144
Printing and Duplication	547	315	935	181	1,978	65	120	185	2,163
Occupancy	4,541	1,593	3,794	8,835	18,763	3,156	2,042	5,198	23,961
Supplies	1,156	1,280	1,816	2,858	7,110	1,012	637	1,649	8,759
Travel and Entertainments	2,301	2,677	5,396	5,174	15,548	1,753	2,419	4,172	19,720
Telephone and Internet	1,672	479	1,515	4,373	8,039	913	989	1,902	9,941
Total Expense	\$ 158,402	\$ 103,691	\$ 188,912	\$ 278,855	\$ 729,860	\$ 105,630	\$ 60,326	\$ 165,956	\$ 895,816

See accompanying notes to financial statements.

METAFOUNDATION dba POST CARBON INSTITUTE
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

Cash Flows From Operating Activities:	<u>2015</u>	<u>2014</u>
Change in Net Assets	\$ (55,562)	\$ (81,094)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	1,405	2,440
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	35,123	(67,790)
Decrease (Increase) in Grants Receivable	15,000	(35,000)
Decrease (Increase) in Prepaid Expenses	3,750	(3,057)
Increase (Decrease) in Accounts Payable	(3,790)	1,500
Increase (Decrease) in Accrued Vacation	<u>3,782</u>	<u>(4,374)</u>
Net Cash Used in Operating Activities	<u>(292)</u>	<u>(187,375)</u>
Cash Flows From Investing Activities:		
Purchases of Property and Equipment	<u>(1,316)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(1,316)</u>	<u>-</u>
Net Decrease in Cash	(1,608)	(187,375)
Cash, Beginning of Year	<u>478,596</u>	<u>665,971</u>
Cash, End of Year	\$ <u>476,988</u>	\$ <u>478,596</u>

See accompanying notes to financial statements

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2015 and 2014

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 2015 include:

- A series of reports, articles, presentations, and media interviews on the impact of low prices on shale gas and tight oil production in the U.S.;
- The publication of *Afterburn: Society After Fossil Fuels* (a series of essays written by Senior Fellow Richard Heinberg), and a series of related videos;
- The drafting of *Our Renewable Future*, co-authored by Fellows Richard Heinberg and David Fridley, exploring the opportunities and challenges of the transition to a 100% renewable energy future;
- Workshops with 80 staff members from environmental/climate nonprofit organizations, aimed at increasing their energy literacy and exploring what a 100% renewable energy future might look like;
- The publication of “Renewable Energy After COP21”, a report outlining nine key considerations for environmental leaders in their post-Paris strategies; and

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2015 and 2014

1. ORGANIZATION (Continued)

Energy Realism (Continued)

- A Union session at the annual American Geophysical Union meeting on the impact of the so-called “shale revolution” on climate change and peak oil.

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, publications, public presentations, and multimedia to bring the best ideas and models for relocalizing economies and building a sustainable future.

Highlights in 2015 include:

- Publication of nearly 2,000 articles and over 100 resources at resilience.org, which received 2.6 million visits from over 1.4 million unique visitors;
- Publication of “Six Foundations for Building Community Resilience”, a report that integrated lessons from the field with the best thinking from the fields of socio-ecological resilience and climate resilience to highlight core elements of successful community resilience-building;
- Publication of “Vermont Dollars, Vermont Sense”, a guide for investing in local businesses that grow the economic well-being of their communities and building resilience; and
- A series of presentations to national, regional, and locally-based organizations on the topics of community resilience.

Busting the Shale Hype

In 2015, this program was included in the Energy Realism program. In 2014, the Institute exposed the true potential of the so-called “shale revolution” through analysis, writing, and public speaking. We published *Drilling Deeper: A Reality Check on U.S. Government Forecasts for a Lasting Tight Oil & Shale Gas Boom*, the most comprehensive analysis of shale gas and tight oil production ever published. We also conducted public speaking in Sacramento, New York City, and online, along with creative media, investigative articles, and social media communication. Our work was covered in over 40 national and regional media outlets and the report has been viewed/downloaded more than 100,000 times to date.

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2015 and 2014

1. ORGANIZATION (Continued)

Outreach and Engagement

The Institute is helping to “change 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 our Renewable Future Outreach Campaign) we tell a different kind of story, grounded on solid research and backed by findings from our publications and those of our Fellows.

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, 2015 and 2014.

Revenue Recognition

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

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2015 and 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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)
Years Ended December 31, 2015 and 2014

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 16, 2016, 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 for the years ended December 31, 2015 and 2014 were \$23,328 and \$23,328, respectively.

METAFOUNDATION dba POST CARBON INSTITUTE
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2015 and 2014

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in accordance with donor restrictions at December 31, 2015 and 2014, as follows:

	<u>2015</u>	<u>2014</u>
Energy Realism	\$ 27,473	\$ 110,000
Community Resilience	93,000	13,000
General and Administrative	<u>20,000</u>	<u>46,000</u>
Total	\$ <u><u>140,473</u></u>	\$ <u><u>169,000</u></u>

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, 2015 and 2014, as follows:

	<u>2015</u>	<u>2014</u>
Energy Realism	\$ 110,000	\$ -
Community Resilience	13,000	-
General and Administrative	<u>26,000</u>	<u>-</u>
Total	\$ <u><u>149,000</u></u>	\$ <u><u>-</u></u>