Alliance for Climate Education

(a not-for-profit Delaware corporation)

Financial Statements

June 30, 2018

Alliance for Climate Education

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BROCK AND COMPANY
Certified Public Accountants
Business Advisors
A PROFESSIONAL CORPORATION

3711 JFK Pkwy Suit 315 Fort Collins Colorado 80525
(970) 223 -7855 (303) 530 -9343 (970) 223 -3926 Fax
www.brockcpas.com

Independent Auditor's Report

To the Board of Directors
Alliance for Climate Education

We have audited the accompanying financial statements of Alliance for Climate Education (a not-for-profit Delaware corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets, 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

The Organization's 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 risks 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 entity'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 entity's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BOULDER FORT COLLINS LITTLETON LONGMONT NORTHGLENN

<u>Independent Auditor's Report (continued)</u>

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance for Climate Education as of June 30, 2018, and the changes 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.

Brock and Company, CPAs, P.C.

Certified Public Accountants

Fort Collins, Colorado
May 23, 2019

Alliance for Climate Education

Statements of Financial Position

June 30, 2018

ASSETS		
Current Assets		
Cash and cash equivalents	**$**	**107,882**
Grants and pledges receivable		**157,000**
Prepaid expenses and other assets		**5,202**
Total current assets		**270,084**
Equipment		
Furniture and equipment		**108,325**
Less accumulated depreciation		**(97,940)**
Net equipment		**10,385**
Other assets		
Capitalized presentation and website development costs, net		**46,278**
Security deposits		**10,593**
Total other assets		**56,871**
Total assets	**$**	**337,340**
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$**	**42,153**
Accrued vacation liability		**40,296**
Total liabilities		**82,449**
Net Assets		
Unrestricted		**124,891**
Temporarily restricted		**130,000**
Total net assets		**254,891**
Total liabilities and net assets	**$**	**337,340**

The accompanying Notes are an integral
part of these financial statements

Alliance for Climate Education

Statement of Activities and Change in Net Assets

Year ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Support			
Individual	$ 1,324,935	$ 100,000	$ 1,424,935
Foundations and others	596,230	30,000	626,230
In-kind contributions	69,948	-	69,948
Net assets released from restriction	265,000	(265,000)	-
Total support	2,256,113	(135,000)	2,121,113
Revenue			
Program revenue	4,290	-	4,290
Realized gain on investments	5,028	-	5,028
Interest income	937	-	937
Total revenue	10,255	-	10,255
Total support and revenue	2,266,368	(135,000)	2,131,368
Expenses			
Program services	1,565,696	-	1,565,696
Supporting services			
Fundraising	234,300	-	234,300
General and administrative	380,689	-	380,689
Total supporting services	614,989	-	614,989
Total expenses	2,180,685	-	2,180,685
Change in Net Assets	85,683	(135,000)	(49,317)
Net Assets, Beginning of Year	39,208	265,000	304,208
Net Assets, End of Year	$ 124,891	$ 130,000	$ 254,891

The accompanying Notes are an integral part of these financial statements

Alliance for Climate Education

Statement of Functional Expenses

Year ended June 30, 2018

		Supporting Services			
	Program Services	Fundraising	General and Administrative	Total	Total Expenses
Salaries and wages	$ 546,342	$ 157,136	$ 88,556	$ 245,692	$ 792,034
Payroll taxes and benefits	167,762	41,422	24,930	66,352	234,114
Marketing and distribution					
Purchased	406,083	7,667	-	7,667	413,750
In-kind	36,528	-	-	-	36,528
Program development	229,611	-	-	-	229,611
Amortization	-	-	81,871	81,871	81,871
Professional fees	7,725	-	68,452	68,452	76,177
Contract labor	34,800	-	5,000	5,000	39,800
Travel	28,065	5,730	3,992	9,722	37,787
Rent	3,808	-	32,795	32,795	36,603
Consulting, in-kind	33,360	-	-	-	33,360
Miscellaneous	4,947	22,345	2,856	25,201	30,148
Other	26,780	-	-	-	26,780
Organizational development	23,515	-	-	-	23,515
Utilities	2,075	-	18,679	18,679	20,754
Evaluation and research	14,295	-	-	-	14,295
Payroll and HR fees	-	-	12,113	12,113	12,113
Dues and subscriptions	-	-	11,895	11,895	11,895
Insurance	-	-	10,356	10,356	10,356
Website	-	-	5,604	5,604	5,604
Depreciation	-	-	5,557	5,557	5,557
Supplies	-	-	5,013	5,013	5,013
Bank charges	-	-	3,020	3,020	3,020
Total expenses	$1,565,696	$ 234,300	$ 380,689	$ 614,989	$ 2,180,685

The accompanying Notes are an integral part of these financial statements

Alliance for Climate Education

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Year ended June 30, 2018

Cash Flows From Operating Activities	
Change in net assets	**$ (49,317)**
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation and amortization	**87,428**
Contributed investments	**(82,386)**
Net realized gain on contributed investments	**(5,028)**
Increase (decrease) from changes in assets and liabilities	
Grants and pledges receivable	**(155,000)**
Prepaid and other assets	**6,688**
Accounts payable and accrued expenses	**33,430**
Accrued payroll related liabilities	**(73,548)**
Accrued vacation	**(8,052)**
Net cash used in operating activities	**(245,785)**
Cash Flows From Investing Activities	
Proceeds from sale of investments	**91,122**
Net cash provided from investing activities	**91,122**
Net Decrease in Cash and Cash Equivalents	**(154,663)**
Cash and Cash Equivalents, Beginning of Year	**262,545**
Cash and Cash Equivalents, End of Year	**$ 107,882**

The accompanying Notes are an integral part of these financial statements

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization. Alliance for Climate Education, Inc. ("the Organization") was formed in 2008 as a Delaware not-for-profit corporation. The Organization provides in-school and online resources to educate students on climate change and provide opportunities to take action. Funding for the Organization is obtained primarily through contributions and sponsorships from interested parties.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Asset Classification. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. The Organization complies with established standards for external reporting by not-for-profit organizations, which requires that resources be classified for reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The three net asset categories are as follows:

> *Unrestricted Net Assets.* Unrestricted net assets are not subject to donor-imposed stipulations.
>
> *Temporarily Restricted Net Assets.* Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time. Once the stipulation is met, the assets are released from restriction and the expenditure is recorded in the activities of unrestricted net assets.
>
> *Permanently Restricted Net Assets.* Permanently restricted net assets are subject to donor-imposed stipulations that require the donated assets to be maintained in perpetuity. The Organization did not have any permanently restricted net assets at June 30, 2018.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments. The Organization receives contributions of securities, which it holds until sale. The securities are valued at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All contributed investments have been liquidated as of June 30, 2018.

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Pledges and Grants Receivable. Pledges and grants receivable are stated net of allowances for uncollectible accounts. At the time receivables are originated, the Organization considers an allowance for doubtful accounts based on the credit worthiness of the donor or grantor. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. Management believes that all pledges and grants receivable are fully collectible at June 30, 2018.

Property and Equipment. It is the Organization's policy to capitalize equipment at cost for purchases over $250, while repair and maintenance items are charged to expense. Donations of equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Office furniture and equipment is depreciated using straight-line methods over the estimated useful lives of the assets, which are generally three to ten years. Depreciation expense was $5,557 for the year ended June 30, 2018.

Intangible Assets. The Organization has capitalized costs related to the development of it's website and a proprietary presentation and are amortized using the straight line method over the life of the related asset, with no estimated residual value. Software development and graphics costs, capitalized as website development, are being amortized over three years. Costs incurred in the initial planning of the website and those related to content of the website were expensed as incurred.

Capitalized presentation costs represent outside consultants and internal costs used to create the Organization's primary tool to educate students. These costs include design and configuration, coding and testing. All capitalized costs are being amortized over the expected life of the presentation which is five years. Costs incurred in the research phase of the development were expensed as incurred.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended June 30, 2018. Amortization expense totaled $81,871 for the year ended June 30, 2018.

Revenue Recognition. Program revenue consists of fees charged for presentations and is recognized as revenue upon the performance of the presentation. Fees received in advance of the presentation are recorded as deferred revenue.

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Contributions. Contributions are recognized when the promise to give is received. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions and grants that are restricted by the donor or grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Contributions and grants that are restricted by the donor or grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time the Organization utilized for the related activities.

Contributed Services and Related Party Transactions. Contributed services are recognized if the services received satisfy the criteria for recognition. The contributions of services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Total donated professional services for the year ended June 30, 2018 consist of marketing and professional services totaling $69,888. Of these amounts, $33,000 of contributed marketing services were received from a member of the board of directors of the Organization.

A substantial number of individuals have made contributions of their time to assist the Organization in a variety of tasks and services. The value of these services is not recorded in the accompanying financial statements, as these services do not meet the criteria for recognition.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. The Organization may be subject to income tax on unrelated business income. Income taxes from unrelated business income are recognized when incurred.

The Organization utilizes the provisions of ASC 740, pertaining to accounting for uncertainty in income taxes. The pronouncement requires the use of a more-likely-than-not recognition criteria before and separate from the measurement of a tax position. An entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. With respect to the Organization, this would primarily relate to the determination of unrelated business taxable income and to the maintenance of its tax exempt status.

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Management has evaluated the adopted policies and procedures that have been implemented to provide assurance that income is properly characterized and activities that jeopardize its tax exempt status are within limits established under existing tax code and regulations. Management has determined the effects of uncertain tax positions are not material to the Organization for recognition or disclosure in the accompanying financial statements and, accordingly, no income tax liability has been recorded for uncertain income tax positions in the accompanying financial statements.

Income tax years from 2015 through the current year are open for examination. Penalties and interest may be assessed on income taxes that are delinquent.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 23, 2019, the date at which the financial statements were available for release.

Note 2 - Intangible Assets

Intangible assets subject to amortization consist of the following at June 30, 2018:

	Amount
Presentation	
Cost	$ 791,053
Accumulated amortization	(744,775)
Net	$ 46,278

Website development costs of $179,078 were fully amortized at June 30, 2018.

Future amortization expense on intangible assets is as follows at June 30, 2018: $26,015, $13,775, and $6,488 for the years ended June 30, 2019, 2020 and 2021, respectively.

Note 3 - Temporarily Restricted Net Assets

The following summarizes the changes in net assets temporarily restricted for the years ended June 30, 2018:

	Time Restriction	Geographic Restriction	Total
Balance, July 1, 2017	$ 265,000	$ -	$ 265,000
Additions	100,000	30,000	130,000
Releases	(265,000)	-	(265,000)
Balance, June 30, 2018	$ 100,000	$ 30,000	$ 130,000

Note 4 - Commitments

Operating Leases. The Organization leases its building under a noncancelable operating lease. The lease requires monthly base rent payments of $2,073 and expires in September 2022. Rent expense under the lease totaled $36,603 for the year ended June 30, 2018.

Future annual minimum lease payments required under noncancelable operating leases are as follows at June 30, 2018:

Year	Total
2019	$ 24,384
2020	26,210
2021	26,996
2022	27,806
2023	7,003
	$ 112,399

Note 5 – Concentrations and Related Party Transactions

Contributions received since inception to date have been largely received from a single individual, the Organization's founder. Contributions from this individual represented 54% of total contributions for the year ended June 30, 2018.

Note 6 – Retirement Plan

The Organization sponsors a 403(b) plan to which eligible employees may voluntarily contribute a percentage of their compensation. Upon approval, the Organization then contributes a matching amount to a certain percent of an employee's salary. Employer contributions to the plan were $19,432 for the year ended June 30, 2018.