ALLIANCE FOR CLIMATE EDUCATION, INC.

FINANCIAL STATEMENTS

June 30, 2017

ALLIANCE FOR CLIMATE EDUCATION

ALLIANCE FOR CLIMATE EDUCATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Alliance for Climate Education, Inc.

We have audited the accompanying financial statements of Alliance for Climate Education, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, and cash flows for the eighteen-month period from January 1, 2016 to June 30, 2017, 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.

Auditors' 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 auditors' 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 auditors consider 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance for Climate Education, Inc. as of June 30, 2017, and changes in net assets and its cash flows for the eighteen-month period from January 1, 2016 to June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 7, Alliance for Climate Education has received the majority of its contributions since its inception from the Organization's founder. It is expected that the founder will continue to provide significant support in fiscal year 2018. Our opinion is not modified with respect to that matter.

BPM LLP

Walnut Creek, California
January 25, 2018

ALLIANCE FOR CLIMATE EDUCATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS

Current assets:		
Cash	$	266,253
Promises to give		2,000
Prepaid expenses and other assets		22,483
Total current assets		290,736
Property and equipment, net		15,942
Capitalized presentation and website development costs, net		128,148
Total assets	$	434,826

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	$	8,723
Accrued payroll related liabilities		73,548
Accrued vacation		48,347
Total liabilities		130,618
Net assets:		
Unrestricted		39,208
Temporarily restricted		265,000
Total net assets		304,208
Total liabilities and net assets	$	434,826

The accompanying notes are an integral
part of these financial statements.

ALLIANCE FOR CLIMATE EDUCATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the eighteen-month period from January 1, 2016 to June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Individual	$ 1,627,899	$ 427,035	$ 2,054,934
Foundations and others	87,641	791,588	879,229
In-kind contributions	10,100	-	10,100
Program revenue	24,615	-	24,615
Miscellaneous income	7,885	-	7,885
Net assets released from restriction	1,512,232	(1,512,232)	-
Total support and revenue	3,270,372	(293,609)	2,976,763
Expenses:			
Program services	2,542,990	-	2,542,990
Supporting services:			
Management and general	405,677	-	405,677
Fundraising	530,418	-	530,418
Total supporting services	936,095	-	936,095
Total expenses	3,479,085	-	3,479,085
Change in net assets	(208,713)	(293,609)	(502,322)
Net assets, beginning of period	247,921	558,609	806,530
Net assets, end of period	$ 39,208	$ 265,000	$ 304,208

The accompanying notes are an integral part of these financial statements.

ALLIANCE FOR CLIMATE EDUCATION, INC.

STATEMENT OF CASH FLOWS

For the eighteen-month period from January 1, 2016 to June 30, 2017

Cash flows from operating activities:	
Change in net assets	$ (502,322)
Adjustments to reconcile change in net assets to cash used in operating activities:	
Depreciation and amortization	157,994
Changes in assets and liabilities:	
Decrease in promises to give	163,000
(Increase) in prepaid and other assets	(2,955)
(Decrease) in accounts payable and accrued expenses	(76,126)
(Decrease) in accrued payroll related liabilities	(1,773)
Increase in accrued vacation	10,116
Cash used in operating activities	(252,066)
Decrease in cash	(252,066)
Cash, beginning of period	518,319
Cash, end of period	$ 266,253

The accompanying notes are an integral part of these financial statements.

1. Nature of Organization and Financial Support

Alliance for Climate Education, Inc. (the "Organization") was incorporated in Delaware on July 29, 2008 and is a non-stock corporation. The Organization is headquartered in Boulder, Colorado and operates nationally through online and in-person programming.

The Organization is a non-profit organization as described in section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state taxation.

The Organization's core program activities include:

1. The provision of an in-school and online assembly to educate students about the science and solutions to climate change.
2. The provision of a year-long leadership program for emerging environmental youth leaders.
3. Engaging youth through a digital network to receive resources, incentives and opportunities to take action.

Effective 2016, the Organization changed its fiscal year to July 1 – June 30.

In Fall of 2016, the Organization began a strategic planning process to determine how it can achieve the greatest impact from FY18 through FY20. As a result, the Organization delayed applying for some institutional grants until the strategic planning process was completed. This contributed to negative cash flows of $252,067 in the current period.

Once the strategic plan was completed, the Organization made decisions that it believes will allow for the realization of goals, and greater financial stability. Specifically, the Organization will focus on its most impactful programs in fewer targeted geographies, allowing for a reduction in headcount, overhead and fixed costs.

To date in FY18, the Organization has been successful in raising approximately 86% of its fiscal year 2018 budget and believes it will have sufficient resources necessary to operate over the next year from the date of this report.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The Organization reports information regarding its net assets and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Continued

2. Summary of Significant Accounting Policies, continued

Description of Net Assets

Unrestricted Net Assets

Unrestricted net assets consist of all resources of the Organization that have not been restricted by a donor.

Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets are net assets subject to donor-imposed stipulations that they must be maintained permanently by the Organization. The Organization did not have any permanently restricted net assets at June 30, 2017.

Use of Estimates

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

Cash

The Organization considers cash all highly liquid investments with original maturities of three months or less. Cash consists of bank deposits.

Contributions and Promises to Give

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to the Organization. All 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.

Pledges receivable are recognized when an unconditional promise to give is received. Promises to give that extend beyond one year are discounted to reflect their net present value at the date of contribution. All promises to give at June 30, 2017 are due within one year, and therefore no discount has been provided. The Organization has determined that all promises to give are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2017.

Continued

2. Summary of Significant Accounting Policies, continued

Contributions and Promises to Give, continued

Conditional promises to give are not included as support until the conditions are substantially met. As of December 31, 2015, Organization had one contingent contribution of $118,249 that was contingent on raising matching funds. The contingency was not met during the period ended June 30, 2017, and therefore this amount has not been recognized yet as revenue in the June 30, 2017 financial statements.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Acquisitions of property and equipment in excess of $250 and useful life of more than one year are capitalized. Depreciation of equipment varies between five and ten years and is calculated using a half-year, straight-line method of depreciation.

Capitalized Website Development Costs

Capitalized website development costs represent expenditures associated with the development of the Organization's website. Such costs consist primarily of software development including graphics costs. Costs incurred in the initial planning of the website and those related to content of the website have been expensed as incurred. Capitalized amounts are amortized over three years.

Capitalized Presentation Costs

Capitalized presentation costs represent costs of development of the Organization's proprietary presentation used in schools and through the Organization's website. Capitalized presentation costs represent outside consultants and internal costs used to create the Organization's primary tool to educate students. Costs incurred in the research phase of the development include activities, such as the determination of existence of needed technology and the formulation, evaluation, and selection of alternatives. All costs incurred in the research phase have been expensed. Costs incurred in the development stage are capitalized and include such activities as design and configuration, coding, and testing. Capitalized amounts are amortized over the expected life of the underlying presentation which is five years.

Gifts in Kind

Noncash donations are recorded as contributions at fair value at the date of donation. Donated services are only recognized as in-kind contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Contributions of tangible assets are reflected as contributions at their estimated fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. During the eighteen-month period ended June 30, 2017, the Organization recognized $10,100 in professional services and collateral donations. The in-kind contributions were used for general operations and fundraising.

Continued

2. Summary of Significant Accounting Policies, continued

Program Revenue

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 date are recorded as deferred revenue.

Income Taxes

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) in the Internal Revenue Code. Additionally, the California Franchise Tax Board has determined that the Organization is exempt from California franchise and/or income tax under California Revenue and Taxation Code, Section 23701(d). Even though a substantial portion of support is received from one individual, the Organization believes it has maintained its public charity status. However, income from activities not related to its tax-exempt purpose may be subject to taxation as unrelated business income. Currently, the Organization engages in no activities that would be taxed as unrelated business income.

The Organization follows the guidance for uncertain tax positions. Management has concluded there are no uncertain tax positions at June 30, 2017.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Expenses applicable to more than one program or activity have been allocated among the programs and supporting services based on usage and management estimates.

Adoption of New Accounting Standard

In August 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-15, *Presentation of Financial Statements – Going Concern* (Subtopic 205-40). This defines management's responsibility to evaluate whether there is a substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This ASU provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations in the financial statement footnotes. For nonpublic entities, the ASU is effective for annual reporting periods ending after December 15, 2016. The Organization has adopted this standard and has made relevant disclosures in its financial statements (see Note 1).

Continued

3. Property and Equipment, Capitalized Website Development Costs and Presentation Costs

Property and equipment, capitalized website development costs and capitalized presentation costs consist of the following at June 30, 2017:

Computers and technology equipment	$ 85,521
Furniture and fixtures	22,804
Total property and equipment	108,325
Less accumulated depreciation	(92,383)
Property and equipment, net	$ 15,942
Capitalized presentation costs	$ 791,053
Website development	179,078
Less accumulated amortization	(841,983)
Capitalized presentation and website development costs, net	$ 128,148

Depreciation expense was $11,224 for the eighteen-month period ended June 30, 2017. Amortization expense was $146,770 for the eighteen-month period ended June 30, 2017.

4. Credit Card Obligations

At June 30, 2017, the Organization's credit card obligations are subject to interest rates of approximately 12.24% for purchases and 26.24% for cash advances.

Total credit limit available on the Organization's credit cards was approximately $82,100 at June 30, 2017. The Organization had $82,100 of unused credit limit available at June 30, 2017. Outstanding credit card obligations are recorded in accounts payable and accrued expenses in the statements of financial position.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets of $265,000 is held for time restriction at June 30, 2017.

Net assets were released from donor restrictions as follows for the eighteen-month period ended June 30, 2017:

Climate action literacy program	$ 1,312,232
Regional programs	90,000
Time	110,000
Total	$ 1,512,232

Continued

6. Commitments and Contingencies

Leases

The Organization has entered into a three year operating lease that expires in September 2019, for office space in Boulder, which it uses as its headquarters.

The following is a schedule of minimum lease commitments for the year ending June 30:

2018	$	24,524
2019		6,221
Total	$	30,745

Rent expense for the eighteen-month period ended June 30, 2017 was $60,824.

Grants and Scholarships

The Organization may commit to pay scholarships upon which the ultimate obligation to pay is contingent upon certain events. The Organization does not accrue such scholarship commitments until the contingency has been substantially met. At June 30, 2017, no such scholarships with contingent features are outstanding.

7. Concentrations and Related Party Transactions

Contributions received from inception to date have been primarily received from one person, the Organization's founder. The Organization is progressing toward reducing the reliance on its founder. For the eighteen-month period ending June 30, 2017, the founder's contributions represented 39% of overall expenses.

Financial instruments that potentially expose the Organization to concentrations of credit risk consist primarily of cash and promises to give. The Organization limits its exposure to credit loss by placing its cash with a financial institution that management believes is credit worthy. Balances may periodically exceed federal deposit insurance limits.

8. Employee Benefit Plan

The Organization sponsors a 403(b) retirement plan to which eligible employees may voluntarily contribute a percentage of their compensation. Upon approval, the Organization then contributes a matching amount up to a certain percent of an employee's salary. No contributions by the Organization were made to the plan during the eighteen-month period ended June 30, 2017.

9. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through January 25, 2018, the date these financial statements were available to be issued. The Organization has determined there were no material subsequent events that required recognition or disclosure other than the items noted below.