

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
WASHINGTON, D.C.

FINANCIAL REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

TABLE OF CONTENTS

	<u>Page number</u>
Independent Auditor's Report	1-2
<u>FINANCIAL STATEMENTS</u>	
EXHIBIT "A" - Statements of Financial Position As of December 31, 2014 and 2013	3
EXHIBIT "B" - Statements of Activities For the years ended December 31, 2014 and 2013	4
EXHIBIT "C" - Statements of Cash Flows For the years ended December 31, 2014 and 2013	5
EXHIBIT "D" - Statements of Functional Expenses For the years ended December 31, 2014 and 2013	6 - 7
Notes to Financial Statements	8 - 16



REGARDIE, BROOKS & LEWIS

CHARTERED
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

7101 WISCONSIN AVENUE, SUITE 1012 · BETHESDA, MARYLAND 20814
TEL: (301) 654-9000 e-mail: rblcpa@rblcpa.com FAX: (301) 656-3056

PAUL J. GNATT, CPA
PHILIP R. BAKER, CPA
CELSO T. MATAAC, JR., CPA
DOUGLAS A. DOWLING, CPA
BRIAN J. GIGANTI, CPA
SETH C. ALLEN, CPA

CONSULTANTS
JEROME P. LEWIS
DAVID A. BROOKS
JESSE A. KAISER
NANCY P. SHIREY, CPA

INDEPENDENT AUDITOR'S REPORT

June 25, 2015

To the Board of Directors
The Alliance for Climate Protection
DBA The Climate Reality Project
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of The Alliance for Climate Protection DBA The Climate Reality Project (the Alliance) (a nonprofit organization) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, cash flows and functional expenses 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 the 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 audits. We conducted our audits 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 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Alliance for Climate Protection DBA The Climate Reality Project as of December 31, 2014 and 2013, 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.

Regardie Brooks + Lewis

Certified Public Accountants

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
WASHINGTON, D.C.

STATEMENTS OF FINANCIAL POSITION

	December 31, 2014	2013
<u>ASSETS</u>		
<u>Current assets:</u>		
Cash and cash equivalents:		
Operating accounts	\$ 1,054,310	\$ 131,124
Money market funds (note 6)	19,888	2,939,758
Total cash and cash equivalents	1,074,198	3,070,882
Contributions receivable (note 4)	5,081,218	100,000
Other receivables	74,005	185,340
Prepaid expenses and other assets	244,319	313,929
Total current assets	6,473,740	3,670,151
<u>Property and equipment (note 7)</u>	323,992	421,041
<u>Security deposit and other assets</u>	90,826	90,826
Total assets	<u>\$ 6,888,558</u>	<u>\$ 4,182,018</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current liabilities:</u>		
Line of credit (note 10)	\$ 500,000	\$ -
Accounts payable and accrued expenses	299,871	612,929
Accrued compensation and benefits	307,378	283,261
Due to affiliate (note 5)	196,124	-
Total current liabilities	1,303,373	896,190
<u>Deferred lease incentive and accrued rent (note 9C)</u>	290,446	28,772
Total liabilities	1,593,819	924,962
<u>Net assets:</u>		
Unrestricted	213,821	3,157,056
Temporarily restricted (note 8)	5,080,918	100,000
Total net assets	5,294,739	3,257,056
Total liabilities and net assets	<u>\$ 6,888,558</u>	<u>\$ 4,182,018</u>

See the accompanying independent auditor's report.
The accompanying notes are an integral part of these financial statements.

REGARDIE, BROOKS & LEWIS

CHARTERED
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
WASHINGTON, D.C.

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2014			Year ended December 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenues, gains, and other support:</u>						
Contributions	\$ 6,676,964	\$ 10,061,779	\$ 16,738,743	\$ 5,916,716	\$ 100,000	\$ 6,016,716
Program revenue	68,190	-	68,190	-	-	-
Special events- Auction	-	-	-	183,649	-	183,649
Other income (expenses) (note 2G)	5,696	-	5,696	(19,640)	-	(19,640)
Rental income	-	-	-	10,366	-	10,366
Net assets released from restrictions	5,080,861	(5,080,861)	-	4,977,601	(4,977,601)	-
 Total revenues, gains, and other support	 11,831,711	 4,980,918	 16,812,629	 11,068,692	 (4,877,601)	 6,191,091
 <u>Expenses:</u>						
Program expenses - Exhibit "D"	13,087,287	-	13,087,287	10,420,786	-	10,420,786
Development	759,935	-	759,935	828,188	-	828,188
General and administration	927,724	-	927,724	742,781	-	742,781
 Total expenses	 14,774,946	 -	 14,774,946	 11,991,755	 -	 11,991,755
 Change in net assets	 (2,943,235)	 4,980,918	 2,037,683	 (923,063)	 (4,877,601)	 (5,800,664)
 Net assets at beginning of year	 3,157,056	 100,000	 3,257,056	 4,080,119	 4,977,601	 9,057,720
 Net assets at end of year	 <u>\$ 213,821</u>	 <u>\$ 5,080,918</u>	 <u>\$ 5,294,739</u>	 <u>\$ 3,157,056</u>	 <u>\$ 100,000</u>	 <u>\$ 3,257,056</u>

See the accompanying independent auditor's report.

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

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
WASHINGTON, D.C.

STATEMENTS OF CASH FLOWS

	Years ended December 31, 2014	2013
<u>Cash flows from operating activities:</u>		
Change in net assets - Exhibit "B"	\$ 2,037,683	\$ (5,800,664)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	158,838	36,386
Realized gains on investments	-	(6,706)
Changes in:		
Contributions and other receivables	(4,898,759)	4,853,013
Prepaid expenses and other assets	69,610	(232,559)
Other assets	-	(34,880)
Accounts payable and accrued expenses	(12,341)	(127,547)
Accrued compensation and benefits	24,117	12,580
Deferred lease incentive and accrued rent	261,674	28,772
Net cash used in operating activities	<u>(2,359,178)</u>	<u>(1,271,605)</u>
<u>Cash flows from investing activities:</u>		
Proceeds from sales of investments	-	106,244
Purchases of property and equipment	<u>(362,506)</u>	<u>(109,595)</u>
Net cash used in investing activities	<u>(362,506)</u>	<u>(3,351)</u>
<u>Cash flows from financing activities:</u>		
Proceeds from line of credit	500,000	-
Proceeds from loan from affiliate	<u>225,000</u>	<u>-</u>
Net cash provided by investing activities	<u>725,000</u>	<u>-</u>
Net decrease in cash and cash equivalents	(1,996,684)	(1,274,956)
Cash and cash equivalents - beginning of year	<u>3,070,882</u>	<u>4,345,838</u>
Cash and cash equivalents - end of year	<u>\$ 1,074,198</u>	<u>\$ 3,070,882</u>

See the accompanying independent auditor's report.
The accompanying notes are an integral part of these financial statements.

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
WASHINGTON, D.C.

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2014										2013 Comparative Totals
	Communi- cations	Program Creative	Partnerships	Global Leadership Policy	Climate Leadership Corps	Reality Programs	Total Program Expenses	Development	General and Administrative	Totals	
<u>Expenses:</u>											
Salaries	\$ 216,582	\$ 342,939	\$ 68,054	\$ 541,272	\$ 705,167	\$ 434,632	\$ 2,308,646	\$ 362,556	\$ 1,267,693	\$ 3,938,895	\$ 3,480,854
Payroll taxes	15,661	25,924	4,499	39,740	51,127	32,269	169,220	25,654	111,174	306,048	247,230
Other employee benefits	22,198	36,976	6,102	55,726	73,063	44,034	238,099	36,075	127,634	401,808	350,866
Professional services	-	-	-	788	2,252	300	3,340	-	245,524	248,864	338,220
Consultants	676,547	2,040	90,049	951,405	59,439	2,598,227	4,377,707	16,685	8,691	4,403,083	3,308,759
Media production, design and transmission	-	-	-	58,000	650	261,066	319,716	-	-	319,716	475,708
Audio/visual/website	9,300	44,150	-	-	15,480	82,931	151,861	-	-	151,861	544,477
Rent/occupancy	-	-	-	-	-	-	-	-	351,574	351,574	321,770
Office expenses/maintenance	-	58	-	9,269	58,750	12,416	80,493	282	74,854	155,629	245,031
Equipment & computers	74,245	725	-	14,590	11,872	5,492	106,924	5,228	168,002	280,154	157,627
Miscellaneous	212	-	-	-	-	-	212	-	11,382	11,594	12,253
Telephone/mobile phones	6,243	3,149	578	6,306	20,379	891	37,546	2,843	67,697	108,086	100,899
Postage and printing	258	89	314	4,218	63,807	8,840	77,526	4,824	23,803	106,153	79,961
Publications and subscriptions	4,548	-	-	17,881	3,295	-	25,724	3,474	6,622	35,820	31,411
Rights and licenses	43,259	1,878	-	966	46,240	46,252	138,595	627	-	139,222	160,386
Depreciation and amortization	-	-	-	-	-	-	-	-	158,838	158,838	36,386
Travel expenses	13,710	1,062	11,412	207,819	560,570	92,305	886,878	30,956	99,968	1,017,802	605,441
Meetings and workshops	377	529	795	11,430	811,227	15,898	840,256	2,870	30,115	873,241	739,235
Grants to others	-	-	-	-	22,552	-	22,552	-	-	22,552	15,000
Staff development	-	-	-	748	1,700	-	2,448	625	13,959	17,032	9,766
Insurance	-	-	-	1,800	33,629	-	35,429	-	56,689	92,118	67,423
Bank and interest	-	-	-	-	-	-	-	1,909	51,405	53,314	18,461
Promotion	14,198	-	-	943,378	5,566	545,252	1,508,394	-	-	1,508,394	605,316
Sustainability/offsets	-	-	-	685	47,559	17,957	66,201	-	6,947	73,148	39,275
Allocation of program related general and administrative expenses	158,500	250,971	49,803	396,115	516,057	318,074	1,689,520	265,327	(1,954,847)	-	-
Total expenses	\$ 1,255,838	\$ 710,490	\$ 231,606	\$ 3,262,136	\$ 3,110,381	\$ 4,516,836	\$ 13,087,287	\$ 759,935	\$ 927,724	\$ 14,774,946	\$ 11,991,755

See the accompanying independent auditor's report.
The accompanying notes are an integral part of these financial statements.

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
WASHINGTON, D.C.

STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2013								
	Communi- cations	Program Creative	Global Leadership Policy	Climate Leadership Corps	Reality Programs	Total Program Expenses	Development	General and Administrative	Totals
Expenses:									
Salaries	\$ 310,024	\$ 262,339	\$ 330,845	\$ 513,201	\$ 645,371	\$ 2,061,780	\$ 355,481	\$ 1,063,593	\$ 3,480,854
Payroll taxes	21,567	18,870	23,835	36,297	46,349	146,918	24,916	75,396	247,230
Other employee benefits	30,672	26,836	34,454	51,621	65,359	208,942	35,435	106,489	350,866
Professional services	-	-	-	-	4,928	4,928	2,425	330,867	338,220
Consultants	631,150	16,200	18,000	123,899	2,423,139	3,212,388	77,417	18,954	3,308,759
Media production, design and transmission	36,193	-	-	111,878	327,637	475,708	-	-	475,708
Audio/visual/website	131,286	3,938	-	148,289	259,237	542,750	1,727	-	544,477
Rent/occupancy	-	-	-	-	-	-	-	321,770	321,770
Office expenses/maintenance	-	717	3,495	95,714	91,494	191,420	6,610	47,001	245,031
Equipment & computers	11,370	6,871	13,284	6,918	24,511	62,954	1,108	93,565	157,627
Miscellaneous	-	-	-	-	-	-	-	12,253	12,253
Telephone/mobile phones	5,251	2,284	8,290	5,449	327	21,601	2,311	76,987	100,899
Postage and printing	1,626	823	3,588	10,552	13,689	30,278	14,929	34,754	79,961
Publications and subscriptions	16,404	-	10,084	80	150	26,718	-	4,693	31,411
Rights and licenses	45,089	4,433	2,066	19,391	89,407	160,386	-	-	160,386
Depreciation and amortization	-	-	-	-	-	-	-	36,386	36,386
Travel expenses	7,127	3,555	17,417	387,015	81,755	496,869	25,574	82,998	605,441
Meetings and workshops	587	2,054	5,699	655,394	12,835	676,569	29,537	33,129	739,235
Grants to others	-	-	-	15,000	-	15,000	-	-	15,000
Staff development	-	-	1,066	-	-	1,066	-	8,700	9,766
Insurance	-	-	-	11,231	-	11,231	-	56,192	67,423
Bank and interest	-	-	-	-	-	-	1,052	17,409	18,461
Promotion	36,372	-	441,278	4,340	121,585	603,575	741	1,000	605,316
Sustainability/Offsets	206	-	7,127	13,771	8,703	29,807	665	8,803	39,275
Allocation of program related general and administrative expenses	216,514	183,211	231,054	358,407	450,712	1,439,898	248,260	(1,688,158)	-
Total expenses	\$ 1,501,438	\$ 532,131	\$ 1,151,582	\$ 2,568,447	\$ 4,667,188	\$ 10,420,786	\$ 828,188	\$ 742,781	\$ 11,991,755

See the accompanying independent auditor's report.
The accompanying notes are an integral part of these financial statements.

REGARDIE, BROOKS & LEWIS

CHARTERED
CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT**

NOTES TO FINANCIAL STATEMENTS

1 - Organization and business.

The Alliance for Climate Protection DBA The Climate Reality Project ("the Alliance") is a not-for-profit organization that was formed in the District of Columbia. It was originally headquartered in Menlo Park, California and relocated to Washington, D.C. in 2009. The Alliance also maintains offices in Colorado and Tennessee. As an entity, it was originally incorporated in 2005 as the Climate Project which conducted charitable activities. On April 13, 2007, the entity received approval for a name change to The Alliance for Climate Protection.

Founded in 2005 by Al Gore, former U.S. Vice President, 2007 Nobel Peace Prize Laureate, the Alliance is a unique, single-purpose organization for the purpose of igniting public action to solve the climate crisis. The challenge is clear: recruit a critical mass of citizens from an overwhelming majority of people around the globe who accept the reality of the climate crisis and transform them into advocates who demand urgent action to solve the crisis and seize the exciting opportunities it presents for a sustainable future with peace and prosperity.

The Alliance's mission is to catalyze a global solution to the climate crisis by making urgent action a necessity across every level of society.

The Alliance strives to be a storyteller of climate change by connecting lively social media outreach with engaging blogs, webinars, chats, and other content to translate abstract science into daily realities and make climate matter to communities around the planet.

As people come to understand what climate change means for them, they want to take action. And by creating graphics, posts, and other media, the Alliance supporters can easily adapt and share with their networks, online audiences are transformed into offline activists everywhere, building a powerful movement for climate solutions.

The Climate Protection Action Fund (a 501(c)(4) organization) (the Action Fund) is affiliated with the Alliance in terms of economic dependency. However, the Action Fund's governance structure is provided by a separate Board of Directors one of whom also serves as a member of the Board of Directors of the Alliance. The Action Fund and the Alliance share common facilities as well as certain personnel and operating activities. All shared costs are allocated to each entity based on which entity a person's activity relates, and to which entity an operating expense relates.

Description of Program and Supporting Services.

The following program and supporting services are included in the accompanying financial statements:

Communications

Our media factory team brings together marketing, advertising, and social media professionals from the world's most innovative companies to redefine climate action as a vital cultural movement with Climate Reality as its trusted brand.

Program Creative

Program Creative is tasked with developing a comprehensive toolkit of traditional organizing activities, coupled with modern media initiatives, to aid our Programs in communicating the reality – and the costs – of climate change clearly to audiences around the world.

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT

NOTES TO FINANCIAL STATEMENTS

1 - Organization and business (continued).

Strategic Partnerships

The Strategic Partnerships team, acting as a force-multiplier, advance the cause of the Alliance by bringing the Alliance's message directly to members of the public through partnerships and relationships and provide opportunities for direct action.

Global Leadership Policy

While there are numerous global players doing critical policy and program work, the Alliance focuses a portion of its resources on global policy discussions befitting former Vice President Gore's role as a global spokesman on climate and the Alliance's partnership work with other groups within the larger community.

Climate Leadership Corps

Through a grassroots network of impassioned volunteers known as the Climate Leadership Corps, the Alliance brings the reality of, and solutions to, the climate crisis in strategic countries.

The Alliance has made a priority of growing the program launched as the Climate Reality Leadership Corps, adding 1,753 new members in 2014 and 1,733 new members in 2013, swelling the group's ranks to over 7,300 volunteers talking to their communities about the challenge of climate change and how to solve it.

The Climate Speakers Network is a group of Americans from a broad array of backgrounds who share their knowledge about climate change and how to solve it with their peers, neighbors, and networks. By engaging groups in the vocabulary that defines their core values, Climate Speakers are transforming the narrative on climate change into a story of opportunity and expanding the chorus of voices calling for action.

Reality Programs

Every year, the 24 Hours of Reality online broadcast sets the stage and sets the agenda for a year of climate action. In 2014 the theme was 24 Hours of Reality: 24 Reasons to Hope. Other 2014 Reality Programs were, Reality Drop, I Am Pro Snow, and What I Love.

Development

Development provides the structure necessary to encourage and secure financial support from individuals, foundations, and business entities.

General and Administrative

General and Administrative includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment, provide coordination and articulation of the Alliance's program strategy; secure proper administrative functioning of the Board of Directors; maintain competent supporting services for the program administration of the Alliance; and manage the financial and budgetary responsibilities of the Alliance.

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT

NOTES TO FINANCIAL STATEMENTS

2 - Significant accounting policies.

A. Accounting method.

The Alliance presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Alliance or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Alliance. Generally, the donors of these assets permit the Alliance to use the income earned on related investments for specific purposes.

Revenues and gains are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Losses and expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets by fulfillment of the donor stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

B. Cash and cash equivalents.

The Alliance considers its cash and money market funds to be cash equivalents.

C. Contributions receivable.

Contributions, including pledges (unconditional promises to give), are recognized at fair value as support in the period the donation is made. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Restricted contributions that are received and used within the same time period are recorded as unrestricted contributions in the Statements of Activities. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided, if necessary, based upon management's judgment of potential defaults.

D. Other receivables.

Other receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that have not been collected by the time the financial statements are issued.

E. Investments.

Investments are generally recorded at fair value in the statements of financial position based on quoted market prices. Gains and losses are included in the changes in net assets in the accompanying Statements of Activities.

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT

NOTES TO FINANCIAL STATEMENTS

2 - Significant accounting policies (continued).

F. Depreciation methods.

Property and equipment are stated at cost. Depreciation expense is computed using the straight-line method over their estimated useful lives as follows:

Furniture and equipment	-	3 years
Leasehold improvements	-	38 months

Total depreciation expense amounted to \$158,838 in 2014 and \$36,386 in 2013. It is the Alliance's policy to capitalize only those individual purchases of property and equipment of \$2,000 or greater.

G. Donated assets.

Donated noncash contributions are recorded as contributions at their estimated fair values at the date of donation. During 2014, the Alliance received shares of stocks with estimated value of \$5,139,721. In 2013, the Alliance received shares of stocks and donated promotional media spots with estimated value of \$4,259,102. It is the policy of the Alliance to immediately liquidate all noncash contributions which at time may result in a loss.

H. Donated services.

Donated services are recognized as contributions in accordance with Accounting Standards Codification 958, *Accounting for Contributions Received and Contributions Made*, 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 Alliance. There was no reportable donated services received during 2014 and 2013.

I. Promotion costs.

The Alliance follows the policy of charging production costs of promotion to expenses as incurred. Promotion expenses were \$1,508,394 and \$605,316 for 2014 and 2013, respectively.

J. Grants and scholarships.

The Alliance has partnered with several other not-for-profit organizations to help further the message of climate protection and as a result made grants to some of these organizations. Grants are recorded as expenses at the time an unconditional promise to give is made. Scholarships have also been awarded to aid worthy attendees of the Climate Reality Leadership Trainings.

K. Program development.

It is the Alliance's policy to expense program development costs as incurred.

L. Functional allocation of expenses.

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and services benefited based on the approximate time spent on each program or service as reported by staff on timesheets which are reviewed by management.

M. Reclassifications.

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT

NOTES TO FINANCIAL STATEMENTS

2 - Significant accounting policies (continued).

N. Use of estimates.

The presentation 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3 - Concentration of risk.

A. Cash and equivalents:

Financial instruments which potentially subject the Alliance to credit risk consist primarily of cash and cash equivalents and contributions receivable. Cash and cash equivalents are maintained at major financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. To mitigate the risk of loss from uninsured funds, the Alliance currently participates in the Insured Savings Account Program (ISA) at Merrill Lynch (see note 6). As of December 31, 2014, the Alliance had \$1,742,600 temporarily on deposit in its operating account in excess of FDIC limit. This unusually high balance was due to the receipt of a major contribution immediately prior to the holiday break and a significant amount of outstanding checks at year end. The Alliance has not experienced losses related to these accounts.

B. Major donors:

In 2014, two donors had contributed 90% and in 2013, a single donor contributed 81% of the total contributions to the Alliance.

4 - Contributions Receivable.

Contributions receivable as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Gross pledges expected to be collected in one to five years	\$ 5,100,000	\$ 100,000
Less: Discount on pledges receivable	<u>(18,782)</u>	<u>-</u>
Total	<u>\$ 5,081,218</u>	<u>\$ 100,000</u>

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT

NOTES TO FINANCIAL STATEMENTS

5 - Related party transactions.

A. Climate Protection Action Fund (Action Fund).

As indicated in Note 1, the Alliance shares common facilities, personnel and operating activities with the Action Fund. Total costs allocated to the Action Fund for 2014 and 2013 approximated \$6,762 and \$7,864 respectively.

The outstanding payable to the Action Fund as of December 31, 2014 was \$196,124 which is consist of a short term loan payable of \$220,397 (including accrued interest of \$5,397) offset by a receivable of \$24,273. The loan is carrying an interest rate of 4.25% and payable on demand.

The outstanding receivable from the Action Fund as of December 31, 2013 was \$16,679, which is included in other receivables.

B. Other.

The Alliance entered into an Event Production Agreement for "24 Hours of Reality" with an entity whose Founder/CEO is a Board Member. The proposed transaction was reviewed according to the Alliance's conflict of interest policy and approved by the Executive Committee due to unique nature of services required by the production and offered by the entity. The total paid in 2014 and 2013 were \$2,395,121 and \$1,945,470, respectively, which included an event production fee of \$150,000 for both years.

6 - Money Market Funds.

The Alliance currently participates in the Insured Savings Account Program (ISA) at Merrill Lynch. The ISA is a series of fully covered FDIC insured money market deposit accounts at participating banks managed through a single Merrill Lynch account which have original maturities of three months or less. As of December 31, 2014 and 2013, money market funds were \$19,888 and \$2,939,758, respectively.

7 - Property and equipment.

As of December 31, 2014 and 2013, the components of property and equipment are as follows:

	December 31,	
	2014	2013
Furniture and other equipment	\$ 299,940	\$ 292,434
Computer equipment	245,810	240,963
Office equipment	114,575	108,409
Leasehold improvements	396,897	353,626
Total cost	1,057,222	995,432
Less: Accumulated depreciation	(733,230)	(574,391)
Total	<u>\$ 323,992</u>	<u>\$ 421,041</u>

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT

NOTES TO FINANCIAL STATEMENTS

8 - Temporarily restricted net assets.

The following is a summary of changes in temporarily restricted net assets for the years ended December 31, 2014 and 2013.

	Balance 12/31/13	Contributions	Released from restrictions	Balance 12/31/14
Restricted for time	\$ -	\$ 9,961,779	\$ (4,980,861)	\$ 4,980,918
For subsequent year's activities	100,000	100,000	(100,000)	100,000
	<u>\$ 100,000</u>	<u>\$ 10,061,779</u>	<u>\$ (5,080,861)</u>	<u>\$ 5,080,918</u>
	Balance 12/31/12	Contributions	Released from restrictions	Balance 12/31/13
Restricted for time	\$ 4,977,601	\$ -	\$ (4,977,601)	\$ -
For subsequent year's activities	-	100,000	-	100,000
	<u>\$ 4,977,601</u>	<u>\$ 100,000</u>	<u>\$ (4,977,601)</u>	<u>\$ 100,000</u>

9 - Lease Obligations.

A. Basic terms:

As of December 31, 2014, the following real property leases were in effect:

Lessor	Property	Terms
750 9th Street, LLC	Office space in Washington, DC	\$24,152 per month, December 14, 2013 to February 1, 2017. First 60 days were rent free. An allowance toward leasehold improvements of \$326,975 was provided by the lessor. (See note 9c below)
Alecta Real Estate USA, LLC	Office space in Boulder, Colorado	\$7,846 per month, June 1, 2013 to July 31, 2016 plus prorata operating expenses of approximately \$4,817 per month.

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT

NOTES TO FINANCIAL STATEMENTS

9 - Lease Obligations (continued).

B. Future minimum annual lease payments under the terms of existing lease/sublease are as follows:

<u>Year</u>	<u>Prime Lease</u>
2015	\$ 452,427
2016	397,404
2017	52,019
Total	<u>\$ 901,850</u>

Net office real estate rents for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Gross rents	\$ 351,385	\$ 319,866
Less: sublease payments	-	(10,366)
Net office real estate rents	<u>\$ 351,385</u>	<u>\$ 309,500</u>

C. Other terms:

The office lease agreements contain various incentives which are primarily (1) allowances toward leasehold improvements and (2) rent waivers, which are being amortized ratably over the life of the leases. At December 31, 2014 and 2013, total deferred lease incentive and accrued rents were \$290,446 and \$28,772, respectively.

10 - Line of credit

The Alliance has a \$500,000 revolving line of credit with \$500,000 outstanding principal balance as of December 31, 2014. Advances on the credit line are payable in one payment of all outstanding principal plus all accrued interest on December 11, 2015. Interest rate is variable and is at 4.50% as of December 31, 2014. The credit line is secured by the assets of the Alliance.

11 - Retirement plan.

The Alliance sponsors a defined contribution 401(k) profit sharing plan that covers all employees. Participants may elect to defer a portion of their salary and contribute it to the Retirement Trust. Additionally, the Alliance matches up to 6% of employee eligible earnings. The cost to the Alliance was approximately \$131,999 and \$103,189 for the years ended December 31, 2014 and 2013, respectively.

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT

NOTES TO FINANCIAL STATEMENTS

12 - Income taxes.

The Alliance is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income taxes on unrelated business income. The Alliance is also exempt from California tax under Section 23701 (d) of the Revenue Taxation code and from District of Columbia tax under Section 47-1802.1 of the Income and Franchise tax code. There were no unrelated business income activities in 2014 or 2013. The Alliance files Form 990 in the U.S. federal jurisdiction and in various states. With few exceptions, the Alliance is no longer subject to U.S. federal, state, local, or non-U.S. income tax examinations by taxing authorities for years before 2011. Management of the Alliance believes it has no material uncertain tax positions, and accordingly, it will not recognize any liability for unrecognized tax benefits.

13 - Subsequent events.

Subsequent events have been evaluated through June 25, 2015, which is the date the financial statements were available to be issued.