

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Alliance for Climate Protection
DBA The Climate Reality Project

We have audited the accompanying financial statements of The Alliance for Climate Protection DBA The Climate Reality Project (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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

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 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.

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, 2018 and 2017, and the result of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland
July 23, 2019

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
<u>ASSETS</u>		
Current assets:		
Cash	\$ 2,620,772	\$ 1,780,632
Contributions receivable, current portion	3,948,517	299,663
Other receivables	26,542	26,321
Prepaid expenses	303,155	223,537
Total current assets	6,898,986	2,330,153
Contributions receivable, noncurrent portion	4,630,453	-
Property and equipment, net of accumulated depreciation	56,119	141,934
Other assets and security deposit	290,378	311,925
TOTAL ASSETS	\$ 11,875,936	\$ 2,784,012
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 537,956	\$ 690,358
Accrued compensation and benefits	424,174	380,339
Total current liabilities	962,130	1,070,697
Deferred lease incentives and accrued rent	6,876	32,933
Total liabilities	969,006	1,103,630
Net assets:		
Without donor restriction	2,341,211	1,505,382
With donor restrictions:		
Purpose restrictions	435,266	175,000
Time restrictions	8,130,453	-
Total	8,565,719	175,000
Total net assets	10,906,930	1,680,382
TOTAL LIABILITIES AND NET ASSETS	\$ 11,875,936	\$ 2,784,012

See accompanying notes to financial statements.

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>			<u>2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support:						
Contributions	\$ 15,813,771	\$ 10,431,203	\$ 26,244,974	\$ 10,704,490	\$ 1,218,834	\$ 11,923,324
Special events	473,543	-	473,543	277,442	-	277,442
Interest and other income	38,718	-	38,718	15,887	-	15,887
Realized gain (loss) on sale of donated securities	<u>11,819</u>	<u>-</u>	<u>11,819</u>	<u>(26,988)</u>	<u>-</u>	<u>(26,988)</u>
Total revenues and gains	<u>16,337,851</u>	<u>10,431,203</u>	<u>26,769,054</u>	<u>10,970,831</u>	<u>1,218,834</u>	<u>12,189,665</u>
Net assets released from restrictions:						
Expiration of time restrictions	175,000	(175,000)	-	4,953,251	(4,953,251)	-
Satisfaction of program restrictions	<u>1,865,484</u>	<u>(1,865,484)</u>	<u>-</u>	<u>1,193,834</u>	<u>(1,193,834)</u>	<u>-</u>
Total net assets released from restrictions	<u>2,040,484</u>	<u>(2,040,484)</u>	<u>-</u>	<u>6,147,085</u>	<u>(6,147,085)</u>	<u>-</u>
Total revenues, gains and other support	<u>18,378,335</u>	<u>8,390,719</u>	<u>26,769,054</u>	<u>17,117,916</u>	<u>(4,928,251)</u>	<u>12,189,665</u>
Expenses:						
Program	16,008,610	-	16,008,610	15,494,163	-	15,494,163
Development	904,836	-	904,836	787,674	-	787,674
General and administrative	<u>629,060</u>	<u>-</u>	<u>629,060</u>	<u>640,789</u>	<u>-</u>	<u>640,789</u>
Total expenses	<u>17,542,506</u>	<u>-</u>	<u>17,542,506</u>	<u>16,922,626</u>	<u>-</u>	<u>16,922,626</u>
Change in net assets	835,829	8,390,719	9,226,548	195,290	(4,928,251)	(4,732,961)
Net assets - beginning	<u>1,505,382</u>	<u>175,000</u>	<u>1,680,382</u>	<u>1,310,092</u>	<u>5,103,251</u>	<u>6,413,343</u>
NET ASSETS - ENDING	<u>\$ 2,341,211</u>	<u>\$ 8,565,719</u>	<u>\$ 10,906,930</u>	<u>\$ 1,505,382</u>	<u>\$ 175,000</u>	<u>\$ 1,680,382</u>

See accompanying notes to financial statements.

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Communications and Creative	Strategic Partnerships	Climate Speakers Network	Reality Programs	Campaigns	Climate Leadership Corps	International Projects	Total Program Expenses	Development	General and Administrative	Totals	2017 Comparative Totals
Expenses:												
Salaries	\$ 798,840	\$ 64,808	\$ 270,196	\$ 668,642	\$ 153,904	\$ 1,625,785	\$ 265,463	\$ 3,847,638	\$ 393,126	\$ 1,214,672	\$ 5,455,436	\$ 5,226,351
Payroll taxes	55,250	4,500	18,960	45,099	11,416	109,013	18,071	262,309	27,152	82,262	371,723	348,112
Other employee benefits	81,320	7,225	22,672	65,195	12,215	159,107	25,907	373,641	40,304	121,181	535,126	525,456
Professional services	11,355	-	834	18,795	-	88,041	27,802	146,827	1,000	367,510	515,337	516,638
Consultants	616,311	-	-	151,902	-	33,081	10,029	811,323	66,127	29,463	906,913	1,450,392
Media production, design and transmission	12,332	-	-	530,612	-	530	-	543,474	6,174	-	549,648	835,666
Audio/visual/website	44,890	-	20	-	-	66,416	-	111,326	254	4,786	116,366	311,469
Rent/occupancy	-	-	-	-	-	-	-	-	-	460,284	460,284	424,814
Office expenses/maintenance	121	-	262	9	90	3,185	-	3,667	46	23,334	27,047	41,596
Equipment and computers	232,902	-	387	35	-	21,838	190	255,352	570	96,252	352,174	127,065
Sponsorship	-	-	1,500	500,000	-	-	-	501,500	-	-	501,500	159,000
Telephone/mobile phones	4,784	1,710	1,264	3,919	1,802	30,790	1,742	46,011	2,802	81,059	129,872	127,563
Postage and printing	1,966	-	579	217	83	797	61	3,703	1,457	13,571	18,731	40,138
Publications and subscriptions	10,054	5,233	-	-	-	-	-	15,287	3,766	4,536	23,589	25,912
Rights and licenses	499	-	-	15,743	-	57,438	-	73,680	-	-	73,680	111,792
Depreciation and amortization	-	-	-	-	-	-	-	-	-	88,153	88,153	99,819
Travel expenses	4,830	7,271	63,350	50,544	11,410	408,355	44,204	589,964	109,516	63,367	762,847	792,407
Meeting and workshops	112,866	246	20,305	3,131,955	49	1,855,753	3,374	5,124,548	47,047	14,630	5,186,225	4,500,946
Grants to international partners	-	-	-	3,000	-	-	882,512	885,512	-	-	885,512	914,495
Insurance	-	-	-	-	-	24,914	-	24,914	-	81,909	106,823	105,482
Bank and interest	8	-	74	19	-	280	127	508	89	31,607	32,204	21,518
Promotion	26,333	-	2,228	219,004	679	120,901	1,450	370,595	1,400	3,875	375,870	169,499
Miscellaneous	46	-	199	418	-	3,458	55	4,176	412	15,037	19,625	22,248
Sustainability/offset	-	-	-	4,967	-	15,055	2	20,024	-	27,797	47,821	24,248
Allocation of program-related general and administrative expenses	413,707	33,563	139,930	346,279	79,704	841,969	137,479	1,992,631	203,594	(2,196,225)	-	-
TOTAL EXPENSES	\$ 2,428,414	\$ 124,556	\$ 542,760	\$ 5,756,354	\$ 271,352	\$ 5,466,706	\$ 1,418,468	\$ 16,008,610	\$ 904,836	\$ 629,060	\$ 17,542,506	\$ 16,922,626

See accompanying notes to financial statements.

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Communications and Creative	Strategic Partnerships	Climate Speakers Network	Reality Programs	Campaigns	Climate Leadership Corps	International Projects	Total Program Expenses	Development	General and Administrative	Totals
Expenses:											
Salaries	\$ 658,301	\$ 107,000	\$ 150,221	\$ 924,720	\$ 338,235	\$ 1,093,380	\$ 386,649	\$ 3,658,506	\$ 372,914	\$ 1,194,931	\$ 5,226,351
Payroll taxes	44,770	7,535	10,296	61,816	23,219	71,104	25,281	244,021	25,192	78,899	348,112
Other employee benefits	66,968	11,467	15,253	92,738	34,599	108,817	36,668	366,510	37,772	121,174	525,456
Professional services	59,460	2,754	-	39,831	-	2,449	7,317	111,811	553	404,274	516,638
Consultants	943,929	-	3,750	183,049	170,827	31,819	913	1,334,287	72,453	43,652	1,450,392
Media production, design and transmission	43,663	-	-	783,231	-	2,022	-	828,916	6,712	38	835,666
Audio/visual/website	177,197	-	-	18,059	-	110,238	-	305,494	-	5,975	311,469
Rent/occupancy	-	-	-	-	-	-	-	-	-	424,814	424,814
Office expenses/maintenance	1,360	238	1,414	279	5,930	1,701	553	11,475	775	29,346	41,596
Equipment and computers	18,616	-	-	446	-	5,204	688	24,954	4,798	97,313	127,065
Sponsorship	-	-	2,500	146,500	10,000	-	-	159,000	-	-	159,000
Telephone/mobile phones	6,210	1,766	803	4,265	16,498	7,834	2,272	39,648	3,815	84,100	127,563
Postage and printing	139	76	863	315	1,640	17,623	1,136	21,792	1,877	16,469	40,138
Publications and subscriptions	-	2,733	-	7,343	-	4,494	-	14,570	2,941	8,401	25,912
Rights and licenses	475	-	-	65,019	-	46,298	-	111,792	-	-	111,792
Depreciation and amortization	-	-	-	-	-	-	-	-	-	99,819	99,819
Travel expenses	11,493	6,741	47,505	204,777	29,214	336,185	59,677	695,592	50,581	46,234	792,407
Meeting and workshops	16,883	743	37,324	3,071,296	14,643	1,338,095	4,880	4,483,864	5,246	11,836	4,500,946
Grants to international partners	-	-	-	-	-	674	913,821	914,495	-	-	914,495
Insurance	-	-	-	-	-	16,637	-	16,637	-	88,845	105,482
Bank and interest	-	41	6	305	-	10	(372)	(10)	3	21,525	21,518
Promotion	9,245	563	369	62,825	7,736	84,860	39	165,637	1,761	2,101	169,499
Miscellaneous	1,038	-	-	-	1,838	-	-	2,876	304	19,068	22,248
Sustainability/offset	-	-	-	(4,559)	-	24,965	-	20,406	-	3,842	24,248
Allocation of program-related general and administrative expenses	353,017	57,379	80,557	495,885	181,380	586,330	207,342	1,961,890	199,977	(2,161,867)	-
TOTAL EXPENSES	<u>\$ 2,412,764</u>	<u>\$ 199,036</u>	<u>\$ 350,861</u>	<u>\$ 6,158,140</u>	<u>\$ 835,759</u>	<u>\$ 3,890,739</u>	<u>\$ 1,646,864</u>	<u>\$ 15,494,163</u>	<u>\$ 787,674</u>	<u>\$ 640,789</u>	<u>\$ 16,922,626</u>

See accompanying notes to financial statements.

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 9,226,548	\$ (4,732,961)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	88,153	99,819
Amortization of discount - contribution receivable	-	46,749
Deferred lease incentives and accrued rent	(26,057)	(4,321)
Changes in assets and liabilities:		
Contributions and other receivables	(8,279,528)	4,921,046
Prepaid expenses and other assets	(58,071)	95,931
Accounts payable and accrued expenses	(152,402)	(229,230)
Accrued compensation and benefits	<u>43,835</u>	<u>2,727</u>
Net cash provided by operating activities	842,478	199,760
Cash used in investing activities:		
Acquisitions of property and equipment	<u>(2,338)</u>	<u>(190,804)</u>
Net change in cash	840,140	8,956
Cash - beginning	<u>1,780,632</u>	<u>1,771,676</u>
CASH - ENDING	<u>\$ 2,620,772</u>	<u>\$ 1,780,632</u>

See accompanying notes to financial statements.

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

The Alliance for Climate Protection DBA The Climate Reality Project ("Climate Reality") 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. Climate Reality also maintains an office in Colorado. 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 and 2007 Nobel Peace Prize Laureate, Climate Reality 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.

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

Climate Reality 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. By creating graphics, posts, and other media, Climate Reality supporters can easily adapt and share with their networks and online audiences are transformed into offline activists everywhere, building a powerful movement for climate solutions.

Description of program and supporting services

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

Communications and creative

Climate Reality develops and shares dynamic digital media across a range of channels and platforms from email and social media, to live broadcasts and ad networks, to tell the story of climate change and solutions and empower audiences to take action by spreading the word within their social networks. This is accomplished using a comprehensive toolkit of traditional organizing activities, coupled with modern media initiatives, to aid Climate Reality programs in communicating the reality, the costs, and the solutions we have to solve the climate crisis to audiences around the world.

Strategic partnerships

Climate Reality partners with organizations across the climate community and beyond to develop joint outreach and events that enable them to leverage each partner's strengths and expertise and open doors to new audiences to amplify their message and create an even greater impact together.

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS (CONTINUED)

Description of program and supporting services (continued)

Climate speakers network

Through the Climate Speakers Network program, Climate Reality partners with grassroots and community-based organizations across the U.S. to train peer messengers from a range of constituencies including environmental justice, faith-based, and frontline communities to act as trusted messengers on climate change to their communities on a grassroots level. Climate Reality has also partnered with the World Economic Forum's Global Shapers to train the program's extraordinary young leaders to make climate outreach a strong part of their work and to increase the activism of young leaders throughout the world.

Reality programs

Each year, Climate Reality produces and participates in a number of programs to inform and inspire action to avert the climate crisis. The signature program is the annual 24 Hours of Reality global broadcast which is hosted by former Vice President Al Gore and brings together artists, policymakers, business leaders, scientists, and influencers to focus the world's attention on the reality of climate change and the solutions the organizations have today for a full 24 hours. In 2018, the program was entitled "24 Hours of Reality: Protect Our Planet, Protect Ourselves - a 24-Hour live event," and in 2017, the program was entitled "24 Hours of Reality: Be the Voice of Reality a - 24-Hour live event". Each event empowered millions watching worldwide to use their voices to speak up for solutions, science, and truth at this decisive point in history.

Campaigns

Climate Reality's campaigns team mobilizes citizens across the U.S. and around the world to raise awareness of climate change and support key policy measures to solve it, using a combination of online outreach, grassroots trainings, and activist events.

Climate leadership corps (formerly Volunteer training and engagement)

Climate Reality trains proven citizen leaders from all walks of life to spread message of climate hope and build overwhelming support for action in their communities. During Climate Reality Leadership Corps trainings, participants hear from former Vice President Al Gore and renowned climate scientists and communicators. After three days, trainees can effectively deliver Mr. Gore's slideshow presentation, speak about climate science and solutions, and inspire others in their community to take action.

Over a decade after its founding, 17,198 trained Climate Reality Leaders are mobilizing communities for climate solutions, shaping public opinion and driving change in countries around the world. In 2018 and 2017, Climate Reality trained 3,418 and 2,950, respectively, new Climate Leaders in major Climate Reality Leadership Corps trainings: Mexico City, Mexico; Berlin, Germany; and Los Angeles, California in 2018 and Denver, Colorado; Seattle, Washington; and Pittsburgh Pennsylvania in 2017.

**THE ALLIANCE FOR CLIMATE PROTECTION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS (CONTINUED)

Description of program and supporting services (continued)

Climate leadership corps (formerly Volunteer training and engagement) (continued)

Climate Reality Leaders made 4,102 presentations on climate change and its solutions in 2018 in 67 countries and it made over 3,500 presentations in 59 countries in 2017. In addition, they completed 26,054 in 2018 and 22,350 in 2017 of other Acts of Leadership, such as contacting influencers, organizing events, and writing online and printed content.

In 2018, Climate Reality continued to build out its chapters model that was started in 2017, supporting almost 100 chapters led by a Climate Reality Leader or student activist in 2018 and 50 chapters in 2017. Each chapter connects local students, parents, professionals and more to target the climate issues that matter in the community. For some chapters, this means pressuring their school or town council to shift to renewable electricity with Climate Reality's 100% Committed campaign. For others, this means working to support state carbon pricing initiatives or block dangerous fossil fuel infrastructure. Climate Reality provides chapters with ongoing campaign support, training programs, and mentoring opportunities. All backed by a proven team of world-class organizers, policy experts, and communicators. Plus, each chapter links up with the national network of other chapters via monthly calls and working groups, together driving change across the country.

International projects

Climate Reality is working with several key countries to maintain and strengthen their commitments under the Paris Agreement by engaging and supporting local Climate Reality Leaders with programs, campaigns and policy targets. Through partnerships with local organizations, branches have been established in 10 key regions: Africa, Australia, Brazil, Canada, China, Europe, India, Indonesia, Mexico & Latin America, and the Philippines. Each branch office also supports Climate Reality Leaders in their own presentations and endeavors to combat the climate crisis.

Development

Development, through its fundraising efforts, 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 Climate Reality's program strategy; secure proper administrative functioning of the board of directors; maintain competent supporting services for the program administration of Climate Reality; and manage the financial and budgetary responsibilities of Climate Reality.

THE ALLIANCE FOR CLIMATE PROTECTION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS (CONTINUED)

Description of program and supporting services (continued)

General and administrative (continued)

Climate Reality engages the services of a variety of consultants for services that cannot be performed by paid staff in a cost-effective manner, such as: communication strategy, public relations, special event production, information technology development and management, fundraising and compensation analysis.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation

The financial statements of Climate Reality have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

In August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Climate Reality has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. Climate Reality opted to not disclose liquidity and availability information for 2017 as permitted under the ASU in the year of adoption.

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:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2018 and 2017, Climate Reality had no net assets that have donor restrictions which are perpetual in nature.

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions receivable

Climate Reality records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. An allowance for uncollectible contributions receivable is provided, if necessary, based upon management's judgment of potential defaults. As of December 31, 2018 and 2017, management deemed all contributions receivable to be collectible.

Property and equipment

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

Furniture and equipment	3 years
Computer equipment	3 years
Office equipment	3 years
Leasehold improvements	Shorter of lease term or useful life

Depreciation and amortization expense totaled \$88,153 and \$99,819 for the years ended December 31, 2018 and 2017, respectively. It is Climate Reality's policy to capitalize only those individual purchases of property and equipment of \$2,000 or greater.

Revenue recognition

Contributions, including unconditional promises to give, are recognized as revenues 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.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved.

Non-cash donations

Donated noncash contributions are recorded as contributions at their estimated fair values at the date of donation. During the year ended December 31, 2018, Climate Reality received shares of stocks with an estimated fair value of \$5,329,189 and cost of catering with an estimated fair value of \$19,097. During the year ended December 31, 2017, Climate Reality received shares of stocks with an estimated fair value of \$5,101,834 and cost of catering with an estimated fair value of \$39,250. The shares of stocks are valued using the closing price at the date of donation. It is the policy of Climate Reality to immediately liquidate all noncash contributions, which at times may result in losses. These donations are reflected in "Contributions" and "Development expenses" in the accompanying statements of activities.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated services

Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*, 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 Climate Reality. During the years ended December 31, 2018 and 2017, Climate Reality received satellite services of \$210,612 and \$194,985, respectively. These donations are reflected in "Contributions" and "Program expenses" in the accompanying statements of activities.

Promotion costs

Climate Reality follows the policy of charging promotion costs to expenses as incurred. Promotion expenses were \$375,870 and \$169,499 for the years ended December 31, 2018 and 2017, respectively.

Grants and scholarships

Climate Reality 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.

Program development

It is Climate Reality's policy to expense program development costs as incurred.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. 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.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued but not yet effective accounting pronouncements

Revenue recognition

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which Climate Reality expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue guidance in U.S. GAAP, including industry-specific guidance, when it becomes effective. This guidance will be effective for Climate Reality beginning January 1, 2019. Management has determined that the adoption of ASU 2014-09 will not result in significant change on Climate Reality's financial statements and related disclosures.

Leases

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). The amendments to the ASU revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The amendments in this ASU are effective for Climate Reality beginning on January 1, 2020, with early adoption permitted, and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Climate Reality is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

Statement of cash flows

In August 2016, FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which provides guidance on several cash flow classification issues. This new guidance is effective for years beginning after December 15, 2018, with early adoption permitted. Climate Reality is evaluating the effect that ASU 2016-15 will have on its financial statements and related disclosures.

Contributions

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. Climate Reality is evaluating the effect that ASU 2018-08 will have on its financial statements and related disclosures.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, Climate Reality has evaluated subsequent events through July 23, 2019, the date on which these financial statements were available to be issued.

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NOTE 3. LIQUIDITY AND AVAILABILITY

The following represents Climate Reality's financial assets as of December 31, 2018:

Financial assets at year-end:	2018
Cash and cash equivalents	\$ 2,620,772
Contributions receivable, net	8,578,970
Other receivable, net	<u>26,542</u>
Total financial assets at year-end	11,226,284
Amounts not available to be used within one year:	
Net assets restricted by donors with time or purpose	<u>(5,065,718)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 6,160,566</u>

Climate Reality's goal is generally to maintain financial assets to meet one year of operating expenses. As part of its liquidity plan, excess cash is invested in certificates of deposit.

NOTE 4. CONCENTRATIONS

Cash and cash equivalents

Climate Reality places its cash and cash equivalents, which may at times be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits, with high credit quality financial institutions and attempts to limit the amount of credit exposure with any one institution. As of December 31, 2018, Climate Reality had \$1,966,397 temporarily on deposit in its operating account in excess of FDIC limit. Climate Reality has not experienced losses related to these accounts.

Major donors

In 2018, three donors contributed 70% and, in 2017, two donors contributed 74%, of the total revenues, gains and other support to Climate Reality.

NOTE 5. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Gross pledges expected to be collected in:		
Less than one year	\$ 3,948,517	\$ 299,663
One year to three years	<u>5,000,000</u>	<u>-</u>
Total	8,948,517	299,663
Discount on pledges receivable (discounted at 3.40%)	<u>(369,547)</u>	<u>-</u>
	8,578,970	299,663
Less: contributions receivable, current portion	<u>3,948,517</u>	<u>299,663</u>
Contributions receivable, noncurrent portion	<u>\$ 4,630,453</u>	<u>\$ -</u>

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NOTE 5. CONTRIBUTIONS RECEIVABLE (CONTINUED)

As of December 31, 2018 and 2017, one donor accounted for 98% and 86%, respectively, of Climate Reality's contributions receivable.

NOTE 6. RELATED-PARTY TRANSACTIONS

Climate Reality Action Fund ("Action Fund")

Climate Reality shares common facilities, personnel and operating activities with the Action Fund, an affiliated organization. Total costs allocated to the Action Fund for the years ended December 31, 2018 and 2017, were \$15,028 and \$7,962, respectively.

On March 1, 2018, the Action Fund (borrower) entered into a loan agreement with Climate Reality for a principal amount of \$25,000. The loan is unsecured and subject to interest at simple prime rate and outstanding unpaid balance shall become due and payable in full on December 31, 2019. The purpose of the loan is to be used for working capital and general business. The balance of the loan receivable was \$10,000 as of December 31, 2018.

The outstanding receivable from the Action Fund as of December 31, 2018 and 2017, was \$25,028 and \$7,962, respectively, which is included in "Other receivables" in the accompanying statements of financial position. The advances other than the loan receivable are non-interest bearing and have no stated repayment terms.

NOTE 7. PROPERTY AND EQUIPMENT

As of December 31, 2018 and 2017, the components of property and equipment are as follows:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 427,377	\$ 427,377
Computer equipment	274,850	272,512
Office equipment	114,575	114,575
Leasehold improvement	<u>470,136</u>	<u>470,136</u>
	1,286,938	1,284,600
Accumulated depreciation	<u>(1,230,819)</u>	<u>(1,142,666)</u>
Property and equipment, net	<u>\$ 56,119</u>	<u>\$ 141,934</u>

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2018 and 2017, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Subject to purpose restrictions	\$ 435,266	\$ 175,000
Subject to time restrictions	<u>8,130,453</u>	<u>-</u>
Total	<u>\$ 8,565,719</u>	<u>\$ 175,000</u>

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NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the years ended December 31, 2018 and 2017, net assets were released from restrictions for the following purposes:

	<u>2018</u>	<u>2017</u>
Released for restrictions met	\$ 1,865,484	\$ 1,193,834
Released for expiration of time	<u>175,000</u>	<u>4,953,251</u>
Total	<u>\$ 2,040,484</u>	<u>\$ 6,147,085</u>

NOTE 9. LEASE OBLIGATIONS

Basic terms

As of December 31, 2018, the following real property leases and sublease were in effect:

<u>Lessor/Sublessor</u>	<u>Property</u>	<u>Terms</u>
555 11th Owner, LLC	Office space in Washington, D.C. (New)	On October 16, 2018, Climate Reality entered into a new office lease agreement starting February 1, 2019 and expiring on October 31, 2023. Monthly rent of \$41,810 from February 1, 2019 to January 31, 2020, with annual rent increase of 2.5%. Climate Reality will also pay prorata share of operating expenses (2.61%) and real estate taxes (2.22%), after the first day of the second lease year. The landlord also granted Climate Reality rent abatement for the first four months of the lease term and a tenant allowance towards the cost of data and telephone equipment and installation and other move-related expenses. Tenant allowance that will be provided is \$93,780.
750 9th Street, LLC	Office space in Washington, D.C.	\$26,792 per month, March 1, 2017 to January 31, 2019, with annual rent increase of 2.5%. An allowance toward leasehold improvements of \$29,725 was provided by the lessor.

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NOTE 9. LEASE OBLIGATIONS (CONTINUED)

Basic terms (continued)

<u>Lessor/Sublessor</u>	<u>Property</u>	<u>Terms</u>
1360 LLC	Office space in Boulder, Colorado	\$5,243 per month, August 1, 2016 to November 1, 2019, plus pro rata operating expenses of \$3,985 per month. Rent abatement for three months and a tenant allowance towards leasehold improvements of \$9,580 was provided by lessor.
Wildlife Conservation Society	Sublease office space in Washington, D.C.	\$4,083 per month, from March 1, 2017 to January 31, 2019.

Future minimum annual lease payments under the terms of existing lease/sublease at December 31, 2018, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2019	\$ 545,607
2020	513,221
2021	526,051
2022	539,203
2023	<u>460,381</u>
Total	<u>\$ 2,584,463</u>

Rent expense for the years ended December 31, 2018 and 2017, was \$460,284 and \$424,814, respectively.

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, 2018 and 2017, deferred lease incentives and accrued rent were \$6,876 and \$32,933, respectively.

NOTE 10. RETIREMENT PLAN

Climate Reality 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, Climate Reality matches up to 6% of the employee's eligible earnings. The cost to Climate Reality was \$219,869 and \$239,922 for the years ended December 31, 2018 and 2017, respectively.

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NOTE 11. INCOME TAXES

Climate Reality is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income taxes on unrelated business income. Climate Reality 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 2018 or 2017. In addition, Climate Reality qualifies for the charitable contribution deduction under Internal Revenue Service Code Section 170 and has been classified as an organization other than a private foundation.

Climate Reality recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, Climate Reality assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

Management has evaluated Climate Reality's tax positions and has concluded that Climate Reality has taken no uncertain tax positions that require adjustments to the financial statements.