

**CARBONFUND.ORG FOUNDATION**

**REPORT ON AUDITS  
OF FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND 2008**

## **C O N T E N T S**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Carbonfund.org Foundation  
Silver Spring, Maryland

We have audited the accompanying statement of financial position of Carbonfund.org Foundation (Foundation) as of December 31, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of Carbonfund.org Foundation. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Carbonfund.org Foundation as of December 31 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles accepted in the United States of America.

The 2008 financial statements were audited by another accounting firm and their report dated May 6, 2009 indicated the 2008 financial statements were fairly presented, in all material respects in conformity with accounting principles generally accepted in the United States of America.

*Rivlin, Lichter & Feldman, P.C.*

Rivlin, Lichter & Feldman, P.C.  
Owings Mills, Maryland

November 15, 2010

**CARBONFUND.ORG FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2009 AND 2008**

**ASSETS**

	2009	2008
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 260,235	\$ 494,750
Certificates of deposits	100,340	2,300,125
Pledges receivable	163,264	1,141,557
Projects in process	1,108,598	958,966
Other assets	41,346	17,165
Total Current Assets	1,673,783	4,912,563
<b>Property &amp; Equipment:</b>		
Office furniture & equipment	42,022	42,022
Less accumulated depreciation	29,742	21,338
	12,280	20,684
<b>Other Asset:</b>		
Certificates of deposits	3,100,301	100,789
<b>TOTAL ASSETS</b>	<b>\$ 4,786,364</b>	<b>\$ 5,034,036</b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>		
Accounts payable	\$ 629,779	\$ 1,334,220
Payroll and payroll tax liability	1,155	1,785
Purchase obligations	638,265	682,592
Note payable - reforestation	100,000	170,000
Total Current Liabilities	1,369,199	2,188,597
<b>Net Assets:</b>		
Unrestricted	3,417,165	2,845,439
Total Net Assets	3,417,165	2,845,439
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,786,364</b>	<b>\$ 5,034,036</b>

The accompanying notes are an integral part of these financial statements

**CARBONFUND.ORG FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>Support and Revenue:</b>		
Contributions and grants	\$ 2,217,430	\$ 3,983,138
Interest income	90,114	37,628
Miscellaneous income	<u>39,997</u>	<u>43,547</u>
Total Support and Revenues	<u>2,347,541</u>	<u>4,064,313</u>
<b>Expenses:</b>		
Project costs - general	216,429	1,426,206
Renewable energy	201,940	196,427
Salaries and related expenses	992,051	939,548
Independent contractors	39,971	61,012
Office expense	103,517	128,370
Other operating expenses	<u>221,907</u>	<u>414,055</u>
Total Expenses	<u>1,775,815</u>	<u>3,165,618</u>
Change in Net Assets	571,726	898,695
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,845,439</u>	<u>1,946,744</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 3,417,165</u>	<u>\$ 2,845,439</u>

The accompanying notes are an integral part of these financial statements

**CARBONFUND.ORG FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets:	\$ 571,726	\$ 898,695
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,404	11,758
Changes in net operating assets and liabilities:		
Pledges receivable	978,293	(345,399)
Accounts receivable - other	-	143,965
Projects in process	(149,632)	336,006
Other assets	(24,182)	(16,070)
Accounts payable	(704,441)	450,445
Payroll and payroll tax liability	(630)	(21,471)
Purchase obligations	(44,326)	(1,185,964)
Other current liabilities	-	(2,500)
Net cash provided by operating activities	<u>635,212</u>	<u>269,465</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES:</b>		
Purchase of Certificates of Deposit	(799,727)	-
Acquisition of furniture and equipment	-	(18,371)
Net cash used in investing activities	<u>(799,727)</u>	<u>(18,371)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment on notes payable - reforestation	(70,000)	-
<b>NET (DECREASE) INCREASE IN CASH</b>	(234,515)	251,094
<b>CASH AT BEGINNING OF YEAR</b>	<u>494,750</u>	<u>243,656</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 260,235</u>	<u>\$ 494,750</u>

The accompanying notes are an integral part of these financial statements

## CARBONFUND.ORG FOUNDATION

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

#### NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose of Foundation: Carbonfund.org Foundation (the “Foundation”) is a nonprofit organization formed in 2003 in the state of Delaware. The Foundation was created to help combat the dangers of climate change through the reduction of or offset to Carbon Dioxide. The Foundation carries out its exempt purposes by educating the public about the dangers of climate change and making it easier and affordable for individuals, businesses and other organizations to reduce their impact on our climate. The Foundation’s method is to reduce the threat of climate change by promoting low-cost carbon reduction techniques while at the same time establishing and supporting renewable energy, energy efficiency and reforestation projects that reduce and offset Carbon Dioxide emissions.

Goals of the Foundation: The goals of the Foundation are (1) to create and provide a cleaner, safer and more prosperous world for our generations and future generations (2) promote easy cost effective solutions to climate change by encouraging people to “reduce what you can, offset what you cannot” (3) help make carbon offsets, green power and zero carbon a normal way of life for every individual, business and organization both in the United States and throughout the world.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Method of Accounting: The Foundation uses the accrual method of accounting for financial reporting. Income using the accrual method is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash held in checking and money market accounts with maturities of less than ninety days. At year-end and throughout the year, the Foundation’s cash balances were deposited in federally insured banks and money market accounts. Management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.

Advertising: Advertising costs, which are principally included in other operating expenses, are expensed as incurred. Advertising expense was not material for the years ended December 31, 2009 and 2008.

## CARBONFUND.ORG FOUNDATION

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

#### NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Contributions: The Foundation accounts for contributions in accordance with financial accounting standards, *Accounting for Contributions Received and Contributions Made*. In accordance with this accounting standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets released from restrictions.

Basis of Presentation: The Foundation has adopted financial accounting standard entitled, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no temporarily restricted or permanently restricted net assets at December 31, 2009 and 2008.

Pledges: Unconditional pledges are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. An allowance for uncollected pledges in the amount of \$4,000 and \$29,000 for 2009 and 2008, respectively, has been established to account for pledges that are not expected to be collected. Since the Foundation expects the pledges to be collected within the next twelve months, the Foundation has not recorded an adjustment for the present value of future cash flows.

Projects in Process: Projects in Process in the accompanying financial statements consists of energy efficiency and forestry carbon offset credits and renewable energy certificates that have been purchased by the Foundation. The Foundation will utilize these carbon offset credits and renewable energy certificates as individual donors contact the Foundation and designate donations as basket, energy efficiency, renewable energy and reforestation projects. The Foundation may also utilize these donations to support their own energy efficiency, renewable energy and reforestation projects that were initiated with donor stipulation that the Foundation could either utilize these funds for any project they choose or for general organization purposes. The Foundation carries Projects in Process in the financial statements on an average cost basis.

# CARBONFUND.ORG FOUNDATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

### NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit and Market Risk: Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and Certificates of Deposits. Cash equivalents and Certificates of Deposit are maintained in high quality financial institutions and credit exposure is limited to any one institution. The Foundation has not experienced any losses on these deposits.

Furniture and Equipment: Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over their estimated lives of three to seven years. Expenditures for maintenance, repairs and minor renewals are charged against income as incurred. Renewals and betterments that materially extend the life of an asset are capitalized.

Income Taxes: The Foundation is exempt from federal income taxes (except taxes on unrelated business income) under Section 501(c) (3) of the Internal Revenue Code and comparable state law, which provides that no taxes be paid by the Foundation and contributions to it are tax deductible within the limitations prescribed by the Internal Revenue Code. Therefore, no provision or liability for income taxes is reflected in these financial statements.

Donated Goods and Services: The Foundation sometimes receives non-cash donations. The value of these donations was not material for the years ended December 31, 2009 and 2008, respectively, and is not reported within the Foundation's financial statements.

Subsequent Events: Management has evaluated events and transactions subsequent to December 31, 2009 through November 15, 2010, the date the financial statements were available to be issued and do not believe there are any transactions that should be recorded as of December 31, 2009.

### NOTE B – LEASE COMMITMENTS

The Foundation has a three year lease agreement that was to end in early 2010, but was extended to March 31, 2013. The Foundation entered into a new lease agreement in April 2010 for additional space in the same building. The new lease is a three year lease with a base monthly amount of \$3,800 adjusted annually for inflation.

Future minimum lease payments under these lease agreements are as follows:

2010	\$ 63,200
2011	72,900
2012	74,100
2013	18,600

Rent expense, under the original lease, for the years ending December 31, 2009 and 2008 were \$47,196 and \$46,517, respectively.

## CARBONFUND.ORG FOUNDATION

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

#### NOTE C – CONCENTRATIONS

Cash Deposits in Excess of Insured Limit: The Foundation maintains its cash balances at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 in each financial institution. The Foundation is not exposed to any significant risk as a result of these deposits.

Certificates of Deposit: The Foundation has numerous Certificates of Deposit at December 31, 2009 and 2008 in various financial institutions. The foundation does not have greater than \$250,000 in any one financial institution. The Certificates of Deposit are carried at cost which approximates market value

Contributions and Pledges Receivable: The Foundation received contributions from two contributors for the years ended December 31, 2009 and 2008 which represent 14.21% and 28.60% of total contributions. Related to these contributions are receivables representing 65% and 88% of pledges receivable at December 31, 2009 and 2008, respectively.

#### NOTE D – PROJECTS IN PROCESS

Projects in Process consist of carbon offset credits or renewable energy certificates that the Foundation has purchased for future projects that it establishes on its own or carbon offset credits and renewable energy certificates purchased to fulfill specific requests by donors. The Projects in Process at December 31, 2009 and 2008 consist of carbon offsets totaling \$1,108,598 and \$958,966, respectively. The breakdown of Projects in Process at December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Energy Efficiency	\$ 456,847	\$148,221
Renewable Energy	493,025	478,093
Reforestation	100,034	257,670
Wind Energy	16,614	65,857
Other	<u>42,078</u>	<u>9,125</u>
<b>Total</b>	<b><u>\$1,108,598</u></b>	<b><u>\$958,966</u></b>

## **CARBONFUND.ORG FOUNDATION**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

#### **NOTE E – PURCHASE OBLIGATIONS**

The Foundation records purchase obligations in the accompanying statements of financial position. These funds have been donated, but the Foundation has not yet purchased the carbon offsets to satisfy the donors request for the type of carbon offset desired. These Purchase Obligations consisted of Carbon Offsets totaling \$638,265 and \$682,592 at December 31, 2009 and 2008, respectively.

#### **NOTE F – NOTE PAYABLE – REFORESTATION**

The note payable in the amount of \$100,000 and \$170,000 at December 31, 2009 and 2008 is payable to Paso Pacifico, a company contracted by the Foundation to assist with a Reforestation Project in Nicaragua. The note payable will be paid \$50,000 in 2010 and \$50,000 in 2011 and bears no interest. Interest expense will not be imputed as the lender does not intend to charge interest on the note payable

#### **NOTE G – SUBSEQUENT EVENT**

Subsequent to December 31, 2009, the Foundation cancelled an agreement with Instituto Ecologica, a Brazilian Company who provides Carbon Dioxide offsets. The original agreement provided for reforestation projects in the Brazilian Rainforest and maintaining the project in the post planting phase. The contract totaled \$592,562 but the vendor did not fulfill the agreement in a timely manner. The Foundation is in the process of finding a new vendor to complete the project and expects the costs to be less, but has no way to estimate what the new cost will be. Due to the uncertainty of the cost with a new vendor, the accounts payable will remain on the financial statements at December 31, 2009. Additionally, the Foundation is committed to complete the project since it was funded by one of the Foundation's corporate partners.