

**CARBONFUND.ORG FOUNDATION, INC.  
AND SUBSIDIARY**

**CONSOLIDATING FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
DECEMBER 31, 2015**



**Carbonfund.org**



**CPAs &  
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ADVISORS**

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## INDEPENDENT AUDITORS' REPORT

October 12, 2016

To the Boards of Directors  
Carbonfund.org Foundation, Inc. and Subsidiary  
East Aurora, New York

We have audited the accompanying consolidating financial statements of Carbonfund.org Foundation, Inc. (a nonprofit organization) and their subsidiary, CarbonCo, LLC (a single member limited liability company), which comprise the consolidating statement of financial position as of December 31, 2015, and the related consolidating statements of activities and cash flows for the year 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 consolidating 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 consolidating financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidating 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 consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of Carbonfund.org Foundation, Inc. and Subsidiary as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. Schedule 1 on page 17 is presented for purposes of additional analysis and is not a required part of the consolidating financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Correction of Error**

As described in Note 11 to the financial statements, beginning unrestricted and temporarily restricted net assets have been restated to reflect errors discovered by management during the current year relating to inventory, capital assets, investment in subsidiary, accounts payable, member contributions, prior year revenue, and restricted contributions. Our opinion is not modified with respect to that matter.

*RLH CPAs & Business Advisors, LLC*

Westminster, Maryland

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

|                                     | Carbonfund.org<br>Foundation, Inc. | CarbonCo, LLC       | Eliminations          | Total               |
|-------------------------------------|------------------------------------|---------------------|-----------------------|---------------------|
| <b>ASSETS</b>                       |                                    |                     |                       |                     |
| <b>CURRENT ASSETS</b>               |                                    |                     |                       |                     |
| Cash and Cash Equivalents           | \$ 1,247,182                       | \$ 468,840          | \$ -                  | \$ 1,716,022        |
| Accounts Receivable                 | -                                  | 349,264             | -                     | 349,264             |
| Pledges Receivable                  | 219,024                            | -                   | -                     | 219,024             |
| Deposits                            | 353,357                            | -                   | (353,357)             | -                   |
| Due From CarbonCo, LLC              | 7,498                              | -                   | (7,498)               | -                   |
| Inventory                           | 140,800                            | 563,763             | -                     | 704,563             |
| Investments                         | 3,822,957                          | 507,264             | -                     | 4,330,221           |
| <b>TOTAL CURRENT ASSETS</b>         | <b>5,790,818</b>                   | <b>1,889,131</b>    | <b>(360,855)</b>      | <b>7,319,094</b>    |
| <b>PROPERTY AND EQUIPMENT</b>       |                                    |                     |                       |                     |
| Office Equipment                    | 5,822                              | -                   | -                     | 5,822               |
| Camp Quinebarge                     |                                    |                     |                       |                     |
| Construction in Progress            | 2,928                              | -                   | -                     | 2,928               |
| Land                                | 298,000                            | -                   | -                     | 298,000             |
| Buildings and Improvements          | 239,858                            | -                   | -                     | 239,858             |
| Furniture and Equipment             | 26,030                             | -                   | -                     | 26,030              |
|                                     | 572,638                            | -                   | -                     | 572,638             |
| Less: Accumulated Depreciation      | 27,506                             | -                   | -                     | 27,506              |
| <b>TOTAL PROPERTY AND EQUIPMENT</b> | <b>545,132</b>                     | <b>-</b>            | <b>-</b>              | <b>545,132</b>      |
| <b>OTHER ASSETS</b>                 |                                    |                     |                       |                     |
| Investment in CarbonCo, LLC         | 1,349,806                          | -                   | (1,349,806)           | -                   |
| <b>OTHER ASSETS</b>                 | <b>1,349,806</b>                   | <b>-</b>            | <b>(1,349,806)</b>    | <b>-</b>            |
| <b>TOTAL ASSETS</b>                 | <b>\$ 7,685,756</b>                | <b>\$ 1,889,131</b> | <b>\$ (1,710,661)</b> | <b>\$ 7,864,226</b> |

See Accompanying Notes

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2015**

|   | Carbonfund.org<br>Foundation, Inc. | CarbonCo, LLC       | Eliminations          | Total               |
|---|------------------------------------|---------------------|-----------------------|---------------------|
| <b>LIABILITIES AND NET ASSETS</b>       |                                    |                     |                       |                     |
| <b>LIABILITIES</b>                      |                                    |                     |                       |                     |
| <b>CURRENT LIABILITIES</b>              |                                    |                     |                       |                     |
| Accounts Payable                        | \$ 14,894                          | \$ 178,470          | \$ -                  | \$ 193,364          |
| Accrued Payroll                         | 38,531                             | -                   | -                     | 38,531              |
| Deferred Revenue                        | -                                  | 353,357             | (353,357)             | -                   |
| Due to Carbonfund.org Foundation, Inc.  | -                                  | 7,498               | (7,498)               | -                   |
| <b>TOTAL CURRENT LIABILITIES</b>        | <b>53,425</b>                      | <b>539,325</b>      | <b>(360,855)</b>      | <b>231,895</b>      |
| <b>TOTAL LIABILITIES</b>                | <b>53,425</b>                      | <b>539,325</b>      | <b>(360,855)</b>      | <b>231,895</b>      |
| <b>NET ASSETS</b>                       |                                    |                     |                       |                     |
| Unrestricted Net Assets                 | 7,248,455                          | -                   | -                     | 7,248,455           |
| Temporarily Restricted Net Assets       | 383,876                            | -                   | -                     | 383,876             |
| Member Equity                           | -                                  | 1,349,806           | (1,349,806)           | -                   |
| <b>TOTAL NET ASSETS</b>                 | <b>7,632,331</b>                   | <b>1,349,806</b>    | <b>(1,349,806)</b>    | <b>7,632,331</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 7,685,756</b>                | <b>\$ 1,889,131</b> | <b>\$ (1,710,661)</b> | <b>\$ 7,864,226</b> |

See Accompanying Notes

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|  | Carbonfund.org Foundation, Inc. |                        |                     | CarbonCo, LLC       | Eliminations          | Total               |
|--|---------------------------------|------------------------|---------------------|---------------------|-----------------------|---------------------|
|  | Unrestricted                    | Temporarily Restricted | Total               |                     |                       |                     |
| <b>SUPPORT, REVENUE, AND GAINS (LOSSES)</b>                            |                                 |                        |                     |                     |                       |                     |
| <b>SUPPORT</b>   |                                 |                        |                     |                     |                       |                     |
| Contributions  | \$ 1,730,301                    | \$ 382,087             | \$ 2,112,388        | \$ -                | \$ -                  | \$ 2,112,388        |
| <b>TOTAL SUPPORT</b>   | <b>1,730,301</b>                | <b>382,087</b>         | <b>2,112,388</b>    | <b>-</b>            | <b>-</b>              | <b>2,112,388</b>    |
| <b>REVENUE</b>   |                                 |                        |                     |                     |                       |                     |
| Camp Quinebargue Fees  | 237,941                         | -                      | 237,941             | -                   | -                     | 237,941             |
| Rental Income  | 4,125                           | -                      | 4,125               | -                   | -                     | 4,125               |
| Other Revenue  | 52,167                          | -                      | 52,167              | -                   | (46,710)              | 5,457               |
| Interest and Dividend Income   | 81,760                          | -                      | 81,760              | 10,793              | -                     | 92,553              |
| <b>TOTAL REVENUE</b>   | <b>375,993</b>                  | <b>-</b>               | <b>375,993</b>      | <b>10,793</b>       | <b>(46,710)</b>       | <b>340,076</b>      |
| <b>GAINS (LOSSES)</b>  |                                 |                        |                     |                     |                       |                     |
| Realized Gains on Investments  | 50,696                          | -                      | 50,696              | 6,739               | -                     | 57,435              |
| Unrealized Losses on Investments                                       | (146,139)                       | -                      | (146,139)           | (19,418)            | -                     | (165,557)           |
| Gain on Investment in CarbonCo, LLC                                    | 225,188                         | -                      | 225,188             | -                   | (225,188)             | -                   |
| <b>TOTAL GAINS (LOSSES)</b>  | <b>129,745</b>                  | <b>-</b>               | <b>129,745</b>      | <b>(12,679)</b>     | <b>(225,188)</b>      | <b>(108,122)</b>    |
| <b>TOTAL SUPPORT, REVENUE, AND GAINS (LOSSES)</b>                      | <b>2,236,039</b>                | <b>382,087</b>         | <b>2,618,126</b>    | <b>(1,886)</b>      | <b>(271,898)</b>      | <b>2,344,342</b>    |
| <b>NET ASSETS RELEASED FROM RESTRICTIONS</b>                           | <b>151,213</b>                  | <b>(151,213)</b>       | <b>-</b>            | <b>-</b>            | <b>-</b>              | <b>-</b>            |
| <b>FUNCTIONAL EXPENSES</b>   |                                 |                        |                     |                     |                       |                     |
| Program Service  | 1,385,274                       | -                      | 1,385,274           | -                   | (60,147)              | 1,325,127           |
| Management and General   | 173,257                         | -                      | 173,257             | -                   | (46,710)              | 126,547             |
| Fundraising  | -                               | -                      | -                   | -                   | -                     | -                   |
| <b>TOTAL FUNCTIONAL EXPENSES</b>                                       | <b>1,558,531</b>                | <b>-</b>               | <b>1,558,531</b>    | <b>-</b>            | <b>(106,857)</b>      | <b>1,451,674</b>    |
| <b>CARBON CREDIT PRODUCTION AND SALES ACTIVITIES</b>                   |                                 |                        |                     |                     |                       |                     |
| Sales  | -                               | -                      | -                   | 679,177             | (60,147)              | 619,030             |
| Less: Cost of Goods Sold   | -                               | -                      | -                   | 452,103             | -                     | 452,103             |
| <b>GROSS PROFIT FROM CARBON CREDIT PRODUCTION AND SALES ACTIVITIES</b> | <b>-</b>                        | <b>-</b>               | <b>-</b>            | <b>227,074</b>      | <b>(60,147)</b>       | <b>166,927</b>      |
| <b>CHANGE IN NET ASSETS</b>  | <b>828,721</b>                  | <b>230,874</b>         | <b>1,059,595</b>    | <b>225,188</b>      | <b>(225,188)</b>      | <b>1,059,595</b>    |
| Net Assets - Beginning of Year, As Restated                            | 6,419,734                       | 153,002                | 6,572,736           | 1,124,618           | (1,124,618)           | 6,572,736           |
| <b>NET ASSETS - END OF YEAR</b>  | <b>\$ 7,248,455</b>             | <b>\$ 383,876</b>      | <b>\$ 7,632,331</b> | <b>\$ 1,349,806</b> | <b>\$ (1,349,806)</b> | <b>\$ 7,632,331</b> |

See Accompanying Notes

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|  | Carbonfund.org<br>Foundation, Inc. | CarbonCo, LLC            | Eliminations       | Total                      |
|--|------------------------------------|--------------------------|--------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>      |                                    |                          |                    |                            |
| Inflows:   |                                    |                          |                    |                            |
| Receipts from Donors and Customers               | \$ 2,249,192                       | \$ 688,117               | \$ (413,504)       | \$ 2,523,805               |
| Receipts from Camp Quinebarge                    | 216,481                            | -                        | -                  | 216,481                    |
| Receipts from Rental Income                      | 4,125                              | -                        | -                  | 4,125                      |
| Investment Income                                | 554                                | -                        | -                  | 554                        |
| Receipts from Other Income                       | 52,167                             | -                        | (46,710)           | 5,457                      |
|  | <u>2,522,519</u>                   | <u>688,117</u>           | <u>(460,214)</u>   | <u>2,750,422</u>           |
| Outflows:  |                                    |                          |                    |                            |
| Payments to Employees                            | 860,146                            | -                        | (46,710)           | 813,436                    |
| Payments for Operating Expenses                  | 528,444                            | -                        | -                  | 528,444                    |
| Payments to Suppliers                            | 776,444                            | 581,600                  | (413,504)          | 944,540                    |
|  | <u>2,165,034</u>                   | <u>581,600</u>           | <u>(460,214)</u>   | <u>2,286,420</u>           |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> | <b><u>357,485</u></b>              | <b><u>106,517</u></b>    | <b><u>-</u></b>    | <b><u>464,002</u></b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>      |                                    |                          |                    |                            |
| Outflows:  |                                    |                          |                    |                            |
| Purchase of Property and Equipment               | 55,242                             | -                        | -                  | 55,242                     |
|  | <u>55,242</u>                      | <u>-</u>                 | <u>-</u>           | <u>55,242</u>              |
| <b>NET CASH USED BY INVESTING ACTIVITIES</b>     | <b><u>(55,242)</u></b>             | <b><u>-</u></b>          | <b><u>-</u></b>    | <b><u>(55,242)</u></b>     |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b> | <b>302,243</b>                     | <b>106,517</b>           | <b>-</b>           | <b>408,760</b>             |
| Cash and Cash Equivalents - Beginning of Year    | 944,939                            | 362,323                  | -                  | 1,307,262                  |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>   | <b><u>\$ 1,247,182</u></b>         | <b><u>\$ 468,840</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 1,716,022</u></b> |

See Accompanying Notes



**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies**

*Nature of Activities*

Carbonfund.org Foundation, Inc. is a nonprofit organization that was incorporated on September 23, 2003 under the laws of the state of Delaware. The Foundation is leading the fight against global warming, making it easy and affordable for any individual, business, or organization to reduce and offset their climate impact and hasten the transition to a clean energy future. The Foundation carries out its purposes through carbon offset and reduction retirements, international public outreach, and climate change education primarily through their summer camp, Camp Quineberge, in New Hampshire.

The Foundation is also the sole member and 100% owner of CarbonCo, LLC, a Limited Liability Company formed on February 14, 2011 under the laws of the state of Delaware. The Subsidiary was created to work with landowners and land concession holders internationally, primarily in Brazil and Indonesia, to help develop carbon reduction projects that will generate carbon credits that can be sold for profit by the parties involved in the projects. The Subsidiary does not own land but rather advises the landowners how to preserve their land to generate income.

*Principles of Consolidation*

The consolidating financial statements include the accounts of Carbonfund.org Foundation, Inc. (the “Foundation”) and its wholly owned subsidiary, CarbonCo, LLC (the “Subsidiary”), together Carbonfund.org Foundation, Inc. and Subsidiary (the “Foundation and Subsidiary”). All significant intra-entity transactions have been eliminated.

*Cash and Cash Equivalents*

For the purpose of these consolidating financial statements, the Foundation and Subsidiary considers all highly liquid investments available for current use with initial maturities of three months or less to be cash equivalents.

*Accounts Receivable and Allowance for Doubtful Accounts*

Accounts receivable consists of amounts due from customers for the purchase of carbon credits. Past-due accounts receivable are expensed when, in the opinion of management, the possibility of collection no longer exists. Recoveries of accounts previously written off are offset with bad debt expense in the year recovered. Potential uncollectible accounts receivable are assessed annually by the Subsidiary and recorded in an allowance for doubtful accounts account. Management considers all accounts receivable to be collectible; accordingly no allowance has been recorded.

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Pledges Receivable*

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. There is no allowance as management expects all pledges to be collectible. 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.

*Investments*

Investments in marketable securities with readily-determinable market values and all investments in debt securities are valued at their market values, which is the fair value based on quoted market prices, when available, or market prices provided by recognized broker-dealers, with gains and losses included in the consolidating statement of activities. Donated securities are recognized at fair value upon receipt. Investment income is recorded as unrestricted, temporarily restricted, or permanently restricted revenue, depending on the existence and/or nature of any donor-imposed restrictions. Unrealized gains and losses are included in the changes in net assets in the accompanying consolidating statement of activities.

*Inventory*

Inventory consists of carbon offsets that the Foundation has purchased as well as carbon credits which the Subsidiary has established on its own through various projects. The Subsidiary's inventory also consists of the costs accumulated for projects which credits have not yet been issued. The Foundation and Subsidiary's inventory is valued at the lower of cost, using the average cost method, or market. See note 11 for how this treatment differs from prior years.

*Deposits and Deferred Revenue*

Deposits and deferred revenue consists of payments made by the Foundation to the Subsidiary for credits which have not yet been issued at December 31, 2015.

*Property and Equipment*

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are recorded at cost. The Foundation and Subsidiary's policy is to capitalize property and equipment with a useful life of greater than one year. Depreciation expense for the year ended December 31, 2015 was \$15,060. Property and equipment are depreciated over their estimated useful lives using the straight-line method as follows:

|   |             |
|---|-------------|
| Office Equipment                            | 3 years     |
| Camp Quinebarrge – Furniture and Equipment  | 3 - 7 years |
| Camp Quinebarrge – Buildings and Structures | 40 years    |

Net Assets

The Foundation reports information regarding its financial position and activities according to three classes of net assets as follow:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed restrictions that require passage of time or the occurrence of a specific event.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that must be maintained permanently.

The Foundation had no permanently restricted net assets at December 31, 2015.

Support

Support is recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Support is recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When restrictions are met in the same year as designated, all activity related to the donation is recorded as unrestricted in the current year. Restrictions on gifts of capital assets or cash for the purchase of capital assets expire when the asset is placed in service.

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 on the consolidating statement of activities as net assets released from restriction.

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

Revenue Recognition

The Foundation generates revenue through tuition charged for campers participating in the summer camp program at Camp Quinebarge. Revenue is recognized in the year the service is provided. The Subsidiary generates revenue through sales of carbon credits that they developed through international projects. Revenue for the sales of these credits is recognized when the credits are transferred to the buyer.

Advertising Costs

The Foundation and Subsidiary follows the policy of charging all costs of advertising to expense as incurred. Total advertising expense of \$43,421 was recorded for the year ended December 31, 2015.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidating schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Exempt Status

The Foundation is incorporated under the laws of the State of Delaware as a nonprofit organization. The Foundation has elected under provisions of Internal Revenue Code Section 501(c)(3) and state income tax statutes to be excluded from taxes on exempt function income. Therefore, no provision is made for taxes on income.

The Foundation's *Return of Organization Exempt from Income Tax* (Form 990), for the respective tax years 2015, 2014, 2013, and 2012, as applicable, remain subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Foundation believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidating financial statements.

The Subsidiary has elected under the Internal Revenue Code to be taxed as a disregarded entity for federal and state income tax purposes. As a disregarded entity, its existence will be ignored for federal income tax purposes and all of the profits, losses, credits, and deductions of the entity are passed through to the Foundation. Therefore, no provision or liability for federal income taxes has been included in these consolidating financial statements.

The Foundation files tax returns for unrelated business income as necessary. The Foundation and Subsidiary generally have no sources of unrelated business income as the Subsidiary's

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

activities relate to the exempt purpose of the Foundation. For the year ended December 31, 2015, the Foundation incurred no income tax expense.

*Use of Estimates*

Management uses estimates and assumptions in preparing the consolidating financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary the estimates that were used.

*Subsequent Events*

Management has evaluated subsequent events through October 12, 2016, the date which the consolidating financial statements were available to be issued.

**Note 2. Concentrations of Credit Risk**

The Foundation and Subsidiary maintains its cash deposits in two financial institutions located throughout the United States. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for each entity for the year ended December 31, 2015. As of December 31, 2015, the total cash deposits exceed the limit by \$796,472 for the Foundation and \$218,840 for the Subsidiary representing the maximum loss risk.

The institution holding the Foundation and Subsidiary's investments is a member of the Securities Investor Protection Corporation (SIPC). SIPC insures the cash and securities in each investor's account up to \$500,000 against loss in the case of a failed brokerage firm or misappropriation of assets by the broker, however only up to \$250,000 of the total coverage can be applied to cash. As of December 31, 2015, the Foundation and Subsidiary has over \$500,000 in investments at the institution, thus would be insured \$500,000 by the SIPC in the event such failure or misappropriation occurs.

At December 31, 2015, two pledges receivable of the Foundation represents 68.49% of total pledges receivables and one account receivable of the Subsidiary represents 98.43% of total accounts receivable. Also for the year ended December 31, 2015, two contributors of the Foundation represented 29.80% of total contributions and one customer of the Subsidiary represented 87.43% of total sales.

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 3. Inventory**

Inventory consists of the following at December 31, 2015:

|                                     | <u>Foundation</u> | <u>Subsidiary</u> | <u>Total</u>      |
|-------------------------------------|-------------------|-------------------|-------------------|
| Projects in Process                 | \$ -              | \$ 500,164        | \$ 500,164        |
| Internally Developed Carbon Credits | -                 | 63,599            | 63,599            |
| Purchased Carbon Offsets            | <u>140,800</u>    | <u>-</u>          | <u>140,800</u>    |
|                                     | <u>\$ 140,800</u> | <u>\$ 563,763</u> | <u>\$ 704,563</u> |

**Note 4. Investments**

Investments are stated at market value and consist of the following as of December 31, 2015:

|              | <u>Cost</u>         |                   | <u>Market</u>      |                   |
|--------------|---------------------|-------------------|--------------------|-------------------|
|              | <u>Foundation</u>   | <u>Subsidiary</u> | <u>Foundation</u>  | <u>Subsidiary</u> |
| Mutual Funds | \$ 3,918,224        | \$ 520,776        | \$ 3,817,975       | \$ 507,264        |
| Stocks       | <u>1,273</u>        | <u>-</u>          | <u>4,982</u>       | <u>-</u>          |
|              | <u>\$ 3,919,497</u> | <u>\$ 520,776</u> | <u>\$3,822,957</u> | <u>\$ 507,264</u> |

**Note 5. Fair Value Measurements**

The Foundation and Subsidiary uses a framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value using a fair value hierarchy. The following are the major categories of assets measured at fair value on a recurring basis during the year ended December 31, 2015, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value:

Stocks: Valued at the institutional carrying amount, a Level 1 input. The Foundation and Subsidiary have \$4,982 of stocks at December 31, 2015.

Mutual Fund Investments: Valued at the quoted price in the active market for identical funds, a Level 1 input. The Foundation and Subsidiary have \$4,325,239 of mutual fund investments at December 31, 2015.

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 6. Retirement Plan**

The Foundation maintains a 401(k) plan for its employees. All full-time or part-time non-seasonal employees who are credited with at least 1,000 hours of service during any twelve consecutive calendar months starting with their date of employment, are eligible to participate in the 401(k) plan from the date of hire. Employee contributions are matched by the Foundation at 100% for the first 3% of the employee's wages and then 50% for the next 2% of the employee's wages. The cost of employer contributions to this plan was \$26,987 for the year ended December 31, 2015.

**Note 7. Related Party Transactions**

The Foundation initially invested \$1,000,000 in the Subsidiary for operations and to establish bank accounts. The \$1,000,000 is intended to be an investment by the Foundation in the Subsidiary in accordance with the agreement in place. The \$1,000,000 is to be repaid by the Subsidiary in the future based on profitability as a member distribution. The member distributions may be requested, in writing, by the Foundation at 25% of the Subsidiary's net income until the initial investment is repaid in full. At December 31, 2015, none of the initial investment has been repaid and the Foundation has waived their right to request the member distribution.

The Subsidiary does not have employees; therefore, all administrative and project tasks are performed by employees of the Foundation or independent contractors. As such, all expenses are paid by the Foundation and then billed to the Subsidiary for reimbursement. For the year ended December 31, 2015, the Subsidiary owes the Foundation \$7,498. For the year ended December 31, 2015, the Foundation billed the Subsidiary a total of \$46,710 for services performed by Foundation employees. This amount has been eliminated in the consolidating financial statements.

The Foundation will also purchase and retire credits from the Subsidiary to satisfy donor wishes. For the year ended December 31, 2015, the Foundation purchased \$60,147 of carbon credits from the Subsidiary and deposited \$353,357 on credits not yet issued to the Subsidiary. Upon issuance of these credits to the Subsidiary, the credits will be transferred to the Foundation.

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 8. Commitments**

Upon the purchase of Camp Quinebarge, the Foundation entered into an agreement with the previous owner to forward 10% of net revenues for the first ten years of Camp operations to them. According to the agreement, net revenues include only revenue obtained from Camp operations and related expenses. The calculation excludes capital improvements to the real estate with a value in excess of \$25,000. As the Camp did not have net revenues for the year, no payment is due under the agreement for the year ended December 31, 2015.

**Note 9. Functional Allocation of Expenses**

Expenses by function were as follows for the year ended December 31, 2015:

|                        | <u>Foundation</u>   | <u>Subsidiary</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|------------------------|---------------------|-------------------|---------------------|---------------------|
| Program Services       |                     |                   |                     |                     |
| Carbon Offsets         | \$ 1,000,481        | \$ -              | (\$ 60,147)         | \$ 940,334          |
| Camp Quinebarge        | 384,793             | -                 | -                   | 384,793             |
| Supporting Services    |                     |                   |                     |                     |
| Management and General | 173,257             | -                 | (46,710)            | 126,547             |
| Fundraising            | <u>-</u>            | <u>-</u>          | <u>-</u>            | <u>-</u>            |
| Total Expenses         | <u>\$ 1,558,531</u> | <u>\$ -</u>       | <u>(\$ 106,857)</u> | <u>\$ 1,451,674</u> |

**Note 10. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at December 31, 2015:

|                          |                   |
|--------------------------|-------------------|
| Planting of Trees        | \$ 234,872        |
| Carbon Offset Retirement | <u>149,004</u>    |
|                          | <u>\$ 383,876</u> |

**Note 11. Restatement of Net Assets**

Beginning unrestricted net assets of the Foundation has been restated to reflect corrections of errors on the financial statements for the year ended December 31, 2014. Expenditures which should have been capitalized were expensed, carbon offsets were not being expensed at the time they were retired by the Foundation and instead were included in inventory at year end, prior period adjustments for the wholly owned subsidiary resulted in the investment in subsidiary to be misstated, and temporarily restricted net assets were reported as unrestricted net assets. These corrections resulted in a net decrease of unrestricted net assets of \$41,382.



**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

Carbonfund.org Foundation, Inc.

|   |                     |
|---|---------------------|
| Unrestricted Net Assets as of December 31, 2014, as Originally Stated | \$ <u>6,461,116</u> |
| Correction for Reporting of Capital Assets                            | 68,362              |
| Correction for Reporting of Inventory                                 | (204,720)           |
| Correction for Reporting of Investment in Subsidiary                  | 247,978             |
| Correction for Reporting of Temporarily Restricted Net Assets         | <u>(153,002)</u>    |
| Total Adjustments   | .....(41,382)       |
| Unrestricted Net Assets as of December 31, 2014, as Restated          | \$ <u>6,419,734</u> |

Beginning temporarily restricted net assets of the Foundation has been restated to reflect correction of an error on the financial statements for the year ended December 31, 2014. Temporarily restricted net assets which are restricted due to donor imposed restrictions were incorrectly reported as unrestricted net assets.

Carbonfund.org Foundation, Inc.

|   |                   |
|---|-------------------|
| Temporarily Restricted Net Assets as of December 31, 2014, as Originally Stated | \$.....-          |
| Correction for Reporting of Temporarily Restricted Net Assets                   | <u>153,002</u>    |
| Temporarily Restricted Net Assets as of December 31, 2014, as Restated          | \$ <u>153,002</u> |

Beginning member equity of the Subsidiary has been restated to reflect corrections of errors on the financial statements for the year ended December 31, 2014. A member contribution of \$800,000 was incorrectly reported as an intercompany payable, a member contribution of \$400,000 was incorrectly reported as a reduction to an intercompany receivable, a member contribution of \$30,763 was not recorded, revenue received from the Foundation of \$369,237 was incorrectly reported as an intercompany payable by the Subsidiary, \$127,187 was incorrectly excluded from accounts payable, and expenses of \$375,165 which were paid for the production of carbon credits were expensed in the year paid as opposed to the year in which the credits were sold. These corrections resulted in additional member equity of \$1,047,978.

CarbonCo, LLC

|   |                     |
|---|---------------------|
| Member Equity as of December 31, 2014, as Originally Stated | \$.....76,640       |
| Correction for Reporting of Member Contribution             | 430,763             |
| Correction for Reporting of Prior Year Revenue              | 369,237             |
| Correction for Reporting of Accounts Payable                | (127,187)           |
| Correction for Reporting of Inventory                       | <u>375,165</u>      |
| Total Adjustments   | ...1,047,978        |
| Member Equity as of December 31, 2014, as Restated          | \$ <u>1,124,618</u> |

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**Note 12. Reconciliations of Changes in Net Assets to Net Cash Provided by Operating Activities**

|   | Carbonfund.org<br>Foundation,<br><u>Inc.</u> | CarbonCo,<br><u>LLC</u> | <u>Eliminations</u> | <u>Total</u>      |
|---|--|-------------------------|---------------------|-------------------|
| Change in Net Assets  | \$ 1,059,595                                 | \$ 225,188              | \$ (225,188)        | \$ 1,059,595      |
| Adjustments to Reconcile Net Income to<br>Net Cash Provided by Operating<br>Activities: |  |                         |                     |                   |
| Depreciation  | 15,060                                       | -                       | -                   | 15,060            |
| Bad Debts Expense   | 9,735  | -                       | -                   | 9,735             |
| Donated Stock   | (6,220)                                      | -                       | -                   | (6,220)           |
| Interest and Dividends Reinvested   | (81,206)                                     | (10,793)                | -                   | (91,999)          |
| Unrealized Loss on Investments  | 146,139                                      | 19,418                  | -                   | 165,557           |
| Realized Gain on Investments  | (50,696)                                     | (6,739)                 | -                   | (57,435)          |
| Gain on Investment in Subsidiary  | (225,188)                                    | -                       | 225,188             | -                 |
| (Increase) Decrease in:   |  |                         |                     |                   |
| Accounts Receivable   | -  | (344,417)               | -                   | (344,417)         |
| Pledges Receivable  | 143,024                                      | -                       | -                   | 143,024           |
| Deposits  | (353,357)                                    | -                       | 353,357             | -                 |
| Due from Subsidiary   | (7,498)                                      | -                       | 7,498               | -                 |
| Inventory   | (56,543)                                     | (188,278)               | -                   | (244,821)         |
| Other Assets  | 500  | -                       | -                   | 500               |
| Increase (Decrease) in:   |  |                         |                     |                   |
| Accounts Payable  | (222,261)                                    | 51,283                  | -                   | (170,978)         |
| Accrued Payroll   | 7,861  | -                       | -                   | 7,861             |
| Deferred Revenue  | (21,460)                                     | 353,357                 | (353,357)           | (21,460)          |
| Due to Parent   | -  | 7,498                   | (7,498)             | -                 |
| Total Adjustments   | <u>(702,110)</u>                             | <u>(118,671)</u>        | <u>225,188</u>      | <u>(595,593)</u>  |
| Net Cash Provided by Operating Activities   | <u>\$ 357,485</u>                            | <u>\$ 106,517</u>       | <u>\$ -</u>         | <u>\$ 464,002</u> |

**SUPPLEMENTARY INFORMATION**

**CARBONFUND.ORG FOUNDATION, INC. AND SUBSIDIARY**  
**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

|                                  | Carbonfund.org      |                  | Program Services    |                     |                   | Supporting Services |                     |                           |             |
|----------------------------------|---------------------|------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------------|-------------|
|                                  | Foundation,<br>Inc. | CarbonCo,<br>LLC | Eliminations        | Consolidated        | Carbon<br>Offsets | Camp<br>Quinebarge  | Total               | Management<br>and General | Fundraising |
| <b>FUNCTIONAL EXPENSES</b>       |                     |                  |                     |                     |                   |                     |                     |                           |             |
| Advertising                      | \$ 43,421           | \$ -             | \$ -                | \$ 43,421           | \$ 3,275          | \$ 40,146           | \$ 43,421           | \$ -                      | \$ -        |
| Automobile Expenses              | 6,700               | -                | -                   | 6,700               | -                 | 6,700               | 6,700               | -                         | -           |
| Bad Debts                        | 9,735               | -                | -                   | 9,735               | 9,735             | -                   | 9,735               | -                         | -           |
| Bank Service Charges             | 8,228               | -                | -                   | 8,228               | -                 | 6,165               | 6,165               | 2,063                     | -           |
| Camp Activities                  | 48,398              | -                | -                   | 48,398              | -                 | 48,398              | 48,398              | -                         | -           |
| Camp Recruitment                 | 17,209              | -                | -                   | 17,209              | -                 | 17,209              | 17,209              | -                         | -           |
| Computer and Internet            | 22,948              | -                | -                   | 22,948              | 8,118             | 3,356               | 11,474              | 11,474                    | -           |
| Depreciation                     | 15,060              | -                | -                   | 15,060              | 364               | 14,696              | 15,060              | -                         | -           |
| Employee Benefits                | 73,217              | -                | -                   | 73,217              | 58,154            | 13,797              | 71,951              | 1,266                     | -           |
| Insurance                        | 16,201              | -                | -                   | 16,201              | -                 | 13,753              | 13,753              | 2,448                     | -           |
| Licenses and Permits             | 8,451               | -                | -                   | 8,451               | -                 | -                   | -                   | 8,451                     | -           |
| Meals and Entertainment          | 11,108              | -                | -                   | 11,108              | 11,108            | -                   | 11,108              | -                         | -           |
| Miscellaneous Expenses           | 16,622              | -                | -                   | 16,622              | -                 | 13,470              | 13,470              | 3,152                     | -           |
| Merchant Fees                    | 21,949              | -                | -                   | 21,949              | 19,296            | 2,653               | 21,949              | -                         | -           |
| Office Expenses                  | 11,154              | -                | -                   | 11,154              | -                 | -                   | -                   | 11,154                    | -           |
| Outside Services                 | 11,584              | -                | -                   | 11,584              | 3,500             | -                   | 3,500               | 8,084                     | -           |
| Payroll Tax Expense              | 62,173              | -                | -                   | 62,173              | 46,608            | 11,716              | 58,324              | 3,849                     | -           |
| Professional Fees                | 23,073              | -                | -                   | 23,073              | -                 | -                   | -                   | 23,073                    | -           |
| Repairs and Maintenance          | 18,620              | -                | -                   | 18,620              | -                 | 18,620              | 18,620              | -                         | -           |
| Retirement of Carbon Offsets     | 209,112             | -                | (60,147)            | 148,965             | 148,965           | -                   | 148,965             | -                         | -           |
| Salaries and Wages               | 868,007             | -                | (46,710)            | 821,297             | 615,683           | 154,770             | 770,453             | 50,844                    | -           |
| Travel                           | 25,110              | -                | -                   | 25,110              | 15,528            | 8,893               | 24,421              | 689                       | -           |
| Utilities                        | 10,451              | -                | -                   | 10,451              | -                 | 10,451              | 10,451              | -                         | -           |
| <b>TOTAL FUNCTIONAL EXPENSES</b> | <b>\$ 1,558,531</b> | <b>\$ -</b>      | <b>\$ (106,857)</b> | <b>\$ 1,451,674</b> | <b>\$ 940,334</b> | <b>\$ 384,793</b>   | <b>\$ 1,325,127</b> | <b>\$ 126,547</b>         | <b>\$ -</b> |