

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5 - 6
Statements of cash flows	7
Notes to financial statements	8 - 18



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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 statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - 2014 Financial Statements

The 2014 financial statements of The Alliance for Climate Protection DBA The Climate Reality Project as of and for the year ended December 31, 2014, were audited by other auditors whose report dated June 25, 2015, expressed an unmodified opinion on those statements.



CERTIFIED PUBLIC ACCOUNTANTS

Bethesda, Maryland
November 15, 2016

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents:		
Operating accounts	\$ 509,279	\$ 1,054,310
Money market funds	2,018,218	19,888
Total cash and cash equivalents	2,527,497	1,074,198
Contribution receivable, current portion	4,997,745	5,081,218
Other receivables	238,677	74,005
Prepaid expenses	199,739	244,319
Total current assets	7,963,658	6,473,740
Contribution receivable, noncurrent portion	4,953,251	-
Property and equipment, net of accumulated depreciation	163,148	323,992
Security deposit	94,637	90,826
TOTAL ASSETS	\$ 13,174,694	\$ 6,888,558
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Line of credit	\$ -	\$ 500,000
Accounts payable and accrued expenses	848,388	334,097
Accrued compensation and benefits	304,717	273,152
Due to affiliate	-	196,124
Total current liabilities	1,153,105	1,303,373
Deferred lease incentive and accrued rent	159,806	290,446
Total liabilities	1,312,911	1,593,819
Commitments and contingencies (Notes 2, 8 and 9)	-	-
Net assets:		
Unrestricted	1,910,787	213,821
Temporarily restricted	9,950,996	5,080,918
Total net assets	11,861,783	5,294,739
TOTAL LIABILITIES AND NET ASSETS	\$ 13,174,694	\$ 6,888,558

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, 2015 AND 2014**

	<u>2015</u>			<u>2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains and other support:						
Contributions	\$ 11,259,576	\$ 14,934,332	\$ 26,193,908	\$ 6,676,964	\$ 10,061,779	\$ 16,738,743
Program revenue	-	-	-	68,190	-	68,190
Special events	71,150	-	71,150	-	-	-
Other income	9,737	-	9,737	7,730	-	7,730
Realized loss on sale of donated securities	(117,899)	-	(117,899)	(2,034)	-	(2,034)
Net assets released from restrictions	<u>10,064,254</u>	<u>(10,064,254)</u>	<u>-</u>	<u>5,080,861</u>	<u>(5,080,861)</u>	<u>-</u>
Total revenues, gains and other support	<u>21,286,818</u>	<u>4,870,078</u>	<u>26,156,896</u>	<u>11,831,711</u>	<u>4,980,918</u>	<u>16,812,629</u>
Expenses:						
Program	18,112,755	-	18,112,755	13,087,287	-	13,087,287
Development	802,217	-	802,217	759,935	-	759,935
General and administration	<u>674,880</u>	<u>-</u>	<u>674,880</u>	<u>927,724</u>	<u>-</u>	<u>927,724</u>
Total expenses	<u>19,589,852</u>	<u>-</u>	<u>19,589,852</u>	<u>14,774,946</u>	<u>-</u>	<u>14,774,946</u>
Change in net assets	1,696,966	4,870,078	6,567,044	(2,943,235)	4,980,918	2,037,683
Net assets - beginning of year	<u>213,821</u>	<u>5,080,918</u>	<u>5,294,739</u>	<u>3,157,056</u>	<u>100,000</u>	<u>3,257,056</u>
NET ASSETS - END OF YEAR	<u>\$ 1,910,787</u>	<u>\$ 9,950,996</u>	<u>\$ 11,861,783</u>	<u>\$ 213,821</u>	<u>\$ 5,080,918</u>	<u>\$ 5,294,739</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, 2015**

	Communications and Creative	Strategic Partnerships	Climate Speakers Network	Global Leadership Policy	Campaigns	Climate Leadership Corps	Reality Programs	Total Program Expenses	Development	General and Administrative	Totals	2014 Comparative Totals
Expenses:												
Salaries	\$ 623,149	\$ 92,948	\$ 191,974	\$ 862,177	\$ 308,785	\$ 808,820	\$ 268,431	\$ 3,156,284	\$ 364,852	\$ 1,092,698	\$ 4,613,834	\$ 3,938,895
Payroll taxes	40,967	6,859	14,520	56,925	5,931	61,119	18,432	204,753	27,794	75,853	308,400	306,048
Other employee benefits	46,768	9,083	16,581	67,891	6,268	66,996	21,436	235,023	32,449	88,748	356,220	401,808
Professional services	2,663	-	1,774	11,562	656	7,114	27,122	50,891	-	280,942	331,833	248,864
Consultants	579,401	40,294	68,368	414,256	22,559	145,155	2,816,696	4,086,729	62,212	254,280	4,403,221	4,403,083
Media production, design and transmission	318,555	-	600	-	-	-	279,026	598,181	-	-	598,181	319,716
Audio/visual/website	-	-	31,250	203,217	-	73,150	-	307,617	-	-	307,617	151,861
Rent/occupancy	-	-	-	-	-	-	-	-	-	351,542	351,542	351,574
Office expenses/maintenance	-	115	2,850	8,892	7,487	41,713	341	61,398	568	27,152	89,118	155,629
Equipment and computers	88,707	160	20,063	87,315	40	32,097	1,639	230,021	5,604	175,068	410,693	280,154
Sponsorship	-	-	1,000	3,000,000	-	-	-	3,001,000	-	-	3,001,000	-
Telephone/mobile phones	6,258	2,962	1,786	8,323	34	5,594	1,622	26,579	2,884	84,279	113,742	108,086
Postage and printing	695	1,384	5,660	2,084	3,399	35,987	200	49,409	4,353	16,639	70,401	106,153
Publications and subscriptions	-	265	-	26,218	-	4,365	-	30,848	6,411	6,020	43,279	35,820
Rights and licenses	42,351	-	2,000	8,266	-	79,063	5,050	136,730	-	-	136,730	139,222
Depreciation and amortization	-	-	-	-	-	-	-	-	-	165,492	165,492	158,838
Travel expenses	16,417	23,692	33,054	341,758	12,845	387,582	126,812	942,160	39,002	54,966	1,036,128	1,017,802
Meeting and workshops	512	890	24,556	533,592	18,378	1,358,383	23,535	1,959,846	29,178	31,489	2,020,513	873,241
Grant to others	-	-	-	425,000	-	2,719	-	427,719	-	-	427,719	22,552
Insurance	-	-	-	-	-	28,747	-	28,747	-	58,291	87,038	92,118
Bank and interest	-	-	-	-	-	-	-	-	919	16,446	17,365	53,314
Promotion	-	-	10,000	330,728	-	36,361	204,552	581,641	649	-	582,290	1,508,394
Miscellaneous	3,719	-	700	1,055	-	89	-	5,563	-	47,775	53,338	28,626
Sustainability/offset	-	-	230	-	-	32,170	9,814	42,214	-	21,944	64,158	73,148
Allocation of program related general and administrative expenses	384,872	57,407	118,568	532,503	190,714	499,548	165,790	1,949,402	225,342	(2,174,744)	-	-
TOTAL EXPENSES	\$ 2,155,034	\$ 236,059	\$ 545,534	\$ 6,921,762	\$ 577,096	\$ 3,706,772	\$ 3,970,498	\$ 18,112,755	\$ 802,217	\$ 674,880	\$ 19,589,852	\$ 14,774,946

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, 2014**

	Communications and Creative	Strategic Partnerships	Climate Speakers Network	Global Leadership Policy	Campaigns	Climate Leadership Corps	Reality Programs	Total Program Expenses	Development	General and Administrative	Totals
Expenses:											
Salaries	\$ 559,521	\$ 68,054	\$ 43,680	\$ 541,272	\$ 106,182	\$ 661,487	\$ 328,450	\$ 2,308,646	\$ 362,556	\$ 1,267,693	\$ 3,938,895
Payroll taxes	41,585	4,499	2,758	39,740	8,730	48,369	23,539	169,220	25,654	111,174	306,048
Other employee benefits	59,174	6,102	4,057	55,726	12,597	69,006	31,437	238,099	36,075	127,634	401,808
Professional services	-	-	-	788	-	2,252	300	3,340	-	245,524	248,864
Consultants	678,587	90,049	-	951,405	185	59,439	2,598,042	4,377,707	16,685	8,691	4,403,083
Media production, design and transmission	-	-	-	58,000	-	650	261,066	319,716	-	-	319,716
Audio/visual/website	53,450	-	-	-	-	15,480	82,931	151,861	-	-	151,861
Rent/occupancy	-	-	-	-	-	-	-	-	-	351,574	351,574
Office expenses/maintenance	58	-	-	9,269	-	58,750	12,416	80,493	282	74,854	155,629
Equipment and computers	74,970	-	-	14,590	720	11,872	4,772	106,924	5,228	168,002	280,154
Telephone/mobile phones	9,392	578	225	6,306	-	20,154	891	37,546	2,843	67,697	108,086
Postage and printing	347	314	450	4,218	3,266	63,357	5,574	77,526	4,824	23,803	106,153
Publications and subscriptions	4,548	-	-	17,881	-	3,295	-	25,724	3,474	6,622	35,820
Rights and licenses	45,137	-	-	966	-	46,240	46,252	138,595	627	-	139,222
Depreciation and amortization	-	-	-	-	-	-	-	-	-	158,838	158,838
Travel expenses	14,772	11,412	5,448	207,819	4,490	555,122	87,815	886,878	30,956	99,968	1,017,802
Meeting and workshops	906	795	264	11,430	16	810,963	15,882	840,256	2,870	30,115	873,241
Grant to others	-	-	-	-	-	22,552	-	22,552	-	-	22,552
Insurance	-	-	-	1,800	-	33,629	-	35,429	-	56,689	92,118
Bank and interest	-	-	-	-	-	-	-	-	1,909	51,405	53,314
Promotion	14,198	-	-	943,378	-	5,566	545,252	1,508,394	-	-	1,508,394
Miscellaneous	212	-	-	748	-	1,700	-	2,660	625	25,341	28,626
Sustainability/offset	-	-	-	685	-	47,559	17,957	66,201	-	6,947	73,148
Allocation of program related general and administrative expenses	409,471	49,803	-	396,115	-	516,057	318,074	1,689,520	265,327	(1,954,847)	-
TOTAL EXPENSES	\$ 1,966,328	\$ 231,606	\$ 56,882	\$ 3,262,136	\$ 136,186	\$ 3,053,499	\$ 4,380,650	\$ 13,087,287	\$ 759,935	\$ 927,724	\$ 14,774,946

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,567,044	\$ 2,037,683
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	165,492	158,838
Amortization of discount - contribution receivable	130,222	101,241
Changes in assets and liabilities:		
Contributions and other receivables	(5,135,796)	(5,000,000)
Prepaid expenses and other assets	40,769	69,610
Accounts payable and accrued expenses	514,291	(12,341)
Accrued compensation and benefits	31,565	24,117
Deferred lease incentive and accrued rent	<u>(130,640)</u>	<u>261,674</u>
Net cash provided by (used in) operating activities	<u>2,182,947</u>	<u>(2,359,178)</u>
Cash used in investing activities:		
Acquisitions of property and equipment	<u>(4,648)</u>	<u>(362,506)</u>
Cash flows from financing activities:		
Payment of line of credit	(500,000)	-
Payment of loan from affiliate	(225,000)	-
Proceeds from line of credit	-	500,000
Proceeds from loan from affiliate	<u>-</u>	<u>225,000</u>
Net cash provided by (used in) financing activities	<u>(725,000)</u>	<u>725,000</u>
Net change in cash and cash equivalents	1,453,299	(1,996,684)
Cash and cash equivalents - beginning	<u>1,074,198</u>	<u>3,070,882</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 2,527,497</u>	<u>\$ 1,074,198</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 3,158</u>	<u>\$ 6,334</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, 2015 AND 2014**

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

The Alliance for Climate Protection DBA The Climate Reality Project (the "Alliance") is a not-for-profit organization that was formed in the District of Columbia. It was originally headquartered in Menlo Park, California, and relocated to Washington, D.C., in 2009. The Alliance also maintains 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, the Alliance is a unique, single-purpose organization for the purpose of igniting public action to solve the climate crisis. The challenge is clear: recruit a critical mass of citizens from an overwhelming majority of people around the globe who accept the reality of the climate crisis and transform them into advocates who demand urgent action to solve the crisis and seize the exciting opportunities it presents for a sustainable future with peace and prosperity.

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

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

As people come to understand what climate change means for them, they want to take action. By creating graphics, posts, and other media, the Alliance 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

The Alliance develops and shares dynamic digital media across a range of channels and platforms from email to Twitter to Facebook to tell the story of climate change and solutions and empower audiences to take action by spreading the word within their social networks.

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

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS (CONTINUED)

Description of program and supporting services (continued)

Strategic partnerships

The Alliance 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.

Climate speakers network

Through the climate speakers network program, the Alliance partners with grassroots and grassroots organizations across the U.S. to train influential voices from a range of constituencies – including African American, faith, Latino, and conservation communities – to act as trusted messengers on climate change to their communities.

Global leadership policy

In 2015, the Alliance combined online outreach with on-the-ground organizing and strategic meetings with key decision-makers to build global support for a historic climate agreement at the United Nations Conference of the Parties ("COP 21") climate conference. The Alliance continues this work in 2016 and beyond to implement and strengthen the commitments to emissions reduction and other solutions in the Paris agreement that emerged from COP 21 through activities organized both through our central U.S. office and branch offices in critical nations around the world.

Campaigns

The Alliance'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. The primary campaigns in 2015 were: Road to Paris, Know Tomorrow, and I Am Pro Snow.

Climate leadership corps

The Alliance trains proven citizen leaders from all walks of life to spread message of climate hope and build overwhelming support for action in their communities, using a slideshow presentation developed by former Vice President Gore.

After nearly a decade after its founding, over 9,100 trained leaders are mobilizing communities for climate solutions, shaping public opinion and driving change in countries around the world. In 2015, the Alliance trained 2,054 new Climate Reality Leaders in four major three-day Climate Reality Leadership Corps trainings: New Delhi, India; Toronto, Canada; Cedar Rapids, Iowa and Miami, Florida.

Climate reality leaders made over 2,500 presentations on climate change and solutions in 2015 and undertook over 4,600 other Acts of Leadership reaching influencers online, in the media, and in person. Presentations reached over 235,000 audience members in 64 countries alone.

**THE ALLIANCE FOR CLIMATE PROTECTION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS (CONTINUED)

Description of program and supporting services (continued)

Reality programs

Each year, the Alliance's signature 24 Hours of Reality global broadcast hosted by former Vice President Al Gore 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 2015, the result was *24 Hours of Reality and Live Earth: The World Is Watching*, a day of music and action around the planet. The Alliance designed the program to begin in its home base in Paris before traveling around the world with segments broadcast live from studios in Cape Town, Rio de Janeiro, Calgary, Miami, New Delhi, Sydney, and Beijing. Despite the tragedy of the terrorist attacks in the host city of Paris during the live broadcast, in the weeks that followed, the Alliance created a two-hour special version of *The World Is Watching* that brought the message of hope and call for action to over 100 million people through their international distribution partners.

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 the Alliance's program strategy; secure proper administrative functioning of the board of directors; maintain competent supporting services for the program administration of the Alliance; and manage the financial and budgetary responsibilities of the Alliance.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Basis of presentation

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

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

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

THE ALLIANCE FOR CLIMATE PROTECTION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation (continued)

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

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

Cash and cash equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash and purchased with original maturities of three months or less.

Contributions receivable

Contributions, including pledges (unconditional promises to give), are recognized at fair value as support in the period the donation is made. Conditional promises to give are recognized at the time when the conditions on which they depend are substantially met. Restricted contributions that are received and used within the same time period are recorded as unrestricted contributions in the statements of activities. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided, if necessary, based upon management's judgment of potential defaults.

Accounts receivable

Accounts receivable are stated at their outstanding balances, reduced by an allowance for doubtful accounts, if any. Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering the Alliance's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that affect a debtor's ability to pay and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debt expense and decreased by write-offs of accounts receivable balances. Accounts receivable are written off based on management's case-to-case determination that they are uncollectible. As of December 31, 2015 and 2014, management deemed all accounts receivable to be collectible.

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

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

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

Depreciation expense totaled \$165,492 and \$158,838 for the years ended December 31, 2015 and 2014, respectively. It is the Alliance's policy to capitalize only those individual purchases of property and equipment of \$2,000 or greater.

Donated assets

Donated noncash contributions are recorded as contributions at their estimated fair values at the date of donation. During 2015, the Alliance received shares of stocks with an estimated value of \$5,013,431 and cost of catering with an estimated value of \$16,209. In 2014, the Alliance received shares of stocks with an estimated value of \$5,139,721. The shares of stocks are valued using the closing price at the date of donation. It is the policy of the Alliance to immediately liquidate all noncash contributions, which at times may result in losses. These donations are reflected in "Contributions" and "Expenses" in the accompanying statements of activities.

Donated services

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board ("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 the Alliance. There were no reportable donated services received during 2015 and 2014.

Promotion costs

The Alliance follows the policy of charging promotion costs to expenses as incurred. Promotion expenses were \$582,290 and \$1,508,394 for the years ended December 31, 2015 and 2014, respectively.

Grants and scholarships

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

Program development

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

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Alliance's previously reported net income.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Alliance has evaluated subsequent events through November 15, 2016, the date on which these financial statements were available to be issued. Except as disclosed in Note 12, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 3. CONCENTRATION OF RISK

Cash and equivalents

The Alliance 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 attempt to limit the amount of credit exposure with any one institution. As of December 31, 2015, the Alliance had \$322,087 temporarily on deposit in its operating account in excess of FDIC limit. The Alliance has not experienced losses related to these accounts.

Major donors

In 2015, three donors had contributed 95% and, in 2014, two donors contributed 90% of the total contributions to the Alliance.

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Gross pledges expected to be collected in:		
Less than one year	\$ 5,100,000	\$ 5,100,000
One year to five years	<u>5,000,000</u>	<u>-</u>
Total	10,100,000	5,100,000
Less: discount on pledges receivable (discounted at 1.04%)	<u>149,004</u>	<u>18,782</u>
Net contribution receivable	<u>\$ 9,950,996</u>	<u>\$ 5,081,218</u>

As of December 31, 2015 and 2014, one donor accounted for 99% and 98%, respectively, of the Alliance's contribution receivable.

NOTE 5. RELATED-PARTY TRANSACTIONS

Climate Reality Action Fund ("Action Fund")

The Alliance shares common facilities, personnel and operating activities with the Action Fund, an affiliated organization. Total costs allocated to the Action Fund for 2015 and 2014 were \$6,372 and \$6,762, respectively.

The outstanding receivable from the Action Fund as of December 31, 2015, was \$30,645, which is included in other receivables. The advances are noninterest bearing and have no stated repayment terms.

The outstanding payable to the Action Fund as of December 31, 2014, was \$196,124 (including accrued interest of \$5,397). The loan was carrying an interest rate of 4.25% and payable on demand. The loan was fully paid during 2015.

Other

During 2015, the Alliance entered into a sponsorship agreement for "Live Earth: Road to Paris," a global climate change event with an entity whose founder/CEO is a former board member of the Alliance. The proposed transaction was reviewed according to the Alliance's conflict of interest policy and approved by the audit committee and the executive committee due to the unique nature of the event. The total sponsorship paid in 2015 was \$3,000,000. In 2014, the Alliance entered into an event production agreement for "24 Hours of Reality" with the same entity. The total paid in 2014 was \$2,395,121, which included an event production fee of \$150,000.

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6. PROPERTY AND EQUIPMENT

As of December 31, 2015 and 2014, the components of property and equipment are as follows:

	2015	2014
Furniture and equipment	\$ 299,940	\$ 299,940
Computer equipment	250,458	245,810
Office equipment	114,575	114,575
Leasehold improvement	<u>396,897</u>	<u>396,897</u>
	1,061,870	1,057,222
Less: accumulated depreciation	<u>898,722</u>	<u>733,230</u>
Cost less accumulated depreciation	<u>\$ 163,148</u>	<u>\$ 323,992</u>

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

The following is a summary of changes in temporarily restricted net assets for the years ended December 31, 2015 and 2014:

	Balance at December 31, 2014	Contributions	Released from restrictions	Balance at December 31, 2015
Restricted for time	\$ 4,980,918	\$ 14,834,332	\$ (9,964,254)	\$ 9,850,996
Restricted for purpose - for subsequent year's activities	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>100,000</u>
	<u>\$ 5,080,918</u>	<u>\$ 14,934,332</u>	<u>\$ (10,064,254)</u>	<u>\$ 9,950,996</u>
	Balance at December 31, 2013	Contributions	Released from restrictions	Balance at December 31, 2014
Restricted for time	\$ -	\$ 9,961,779	\$ (4,980,861)	\$ 4,980,918
Restricted for purpose - for subsequent year's activities	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>100,000</u>
	<u>\$ 100,000</u>	<u>\$ 10,061,779</u>	<u>\$ (5,080,861)</u>	<u>\$ 5,080,918</u>

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 8. LEASE OBLIGATIONS

Basic terms

As of December 31, 2015, the following real property leases and sublease were in effect:

<u>Lessor/Sublessor</u>	<u>Property</u>	<u>Terms</u>
750 9th Street, LLC	Office space in Washington, D.C.	\$24,152 per month, December 14, 2013 to February 1, 2017. First 60 days were rent free. An allowance toward leasehold improvements of \$326,975 was provided by the lessor.
Alecta Real Estate USA, LLC	Office space in Boulder, Colorado	\$7,846 per month, June 1, 2013 to July 31, 2016, plus pro rata operating expenses approximately \$4,817 per month.
Wildlife Conservation Society	Sublease office space in Washington, D.C.	\$3,775 per month, June 24, 2015 to February 28, 2017.

Future minimum annual lease payments under the terms of existing lease/sublease at December 31, 2015, are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2016	\$ 442,704
2017	<u>59,569</u>
Total	<u>\$ 502,273</u>

Rent expense for the years ended December 31, 2015 and 2014, was \$351,542 and \$351,385, 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, 2015 and 2014, deferred lease incentive and accrued rents were \$159,806 and \$290,446, respectively.

NOTE 9. LINE OF CREDIT

The Alliance had a \$500,000 revolving line of credit with a \$500,000 outstanding principal balance as of December 31, 2014. Advances on the credit line were payable in one payment of all outstanding principal plus all accrued interest on December 11, 2015. The interest rate was variable and was at 4.50% as of December 31, 2014. The credit line was secured by the assets of the Alliance. The line of credit was not renewed when it expired on December 11, 2015.

THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 10. RETIREMENT PLAN

The Alliance sponsors a defined contribution 401(k) profit sharing plan that covers all employees. Participants may elect to defer a portion of their salary and contribute it to the retirement trust. Additionally, the Alliance matches up to 6% of employee eligible earnings. The cost to the Alliance was \$128,275 and \$131,999 for the years ended December 31, 2015 and 2014, respectively.

NOTE 11. INCOME TAXES

The Alliance is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income taxes on unrelated business income. The Alliance is also exempt from California tax under Section 23701 (d) of the Revenue Taxation Code and from District of Columbia tax under Section 47-1802.1 of the Income and Franchise Tax Code. There were no unrelated business income activities in 2015 or 2014. In addition, the Alliance 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.

The Alliance recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*. Under that guidance, the Alliance assesses the likelihood, based on their technical merit, that tax position 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 the Alliance's tax positions and has concluded that the Alliance has taken no uncertain tax positions that require adjustments to the financial statements. Generally, the Alliance is no longer subject to income tax examinations by U.S. federal or state taxing authorities for years before 2012.

NOTE 12. SUBSEQUENT EVENTS

Subsequent to year end, the Alliance received a letter from U.S. House of Representative's Committee on Science, Space and Technology (the "Committee") indicating that they were conducting oversight of an alleged "coordinated attempt" between the Alliance, seven other environmental organizations and 17 state attorney generals "to deprive companies, nonprofit organizations, and scientists of their First Amendment rights and ability to fund and conduct scientific research free from intimidation and threats of prosecution." The Committee requested certain documents to aid in their oversight and management has declined to produce such documents on various legal grounds. Management continues to communicate with the Committee but will vigorously contest this matter.

In addition, an individual filed a complaint in the U.S. District Court against 39 defendants, including the Alliance, under the RICO Act, that certain stances and statements about global warming made by these defendants were false. Management will also vigorously contest this matter.

**THE ALLIANCE FOR CLIMATE PROTECTION
DBA THE CLIMATE REALITY PROJECT
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 12. SUBSEQUENT EVENTS (CONTINUED)

The ultimate outcome of the litigation cannot be determined as of December 31, 2015, and management is not able to estimate the amount or range of loss that could result from the unfavorable resolution of this matter. Management believes it has no liability in this matters other than its costs of defense.