

**350.ORG**

**AUDITED FINANCIAL STATEMENTS**

**September 30, 2012**

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Board of Directors  
350.Org  
Washington, DC

Report of Independent Auditors

We have audited the accompanying statement of financial position of 350.Org (the Organization) as of September 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's September 30, 2011 financial statements and, in our report dated April 30, 2012, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 350.Org as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Drolet + Associates, PLLC*

Washington, DC  
May 21, 2013

**350.ORG**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2012**  
(With Summarized Financial Information for September 30, 2011)

	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,518,137	\$ 1,219,460
Pledges and grants receivable	513,074	1,178,376
Due from 350 Action Fund	31,944	-0-
Prepaid expenses	44,950	31,638
<b>TOTAL CURRENT ASSETS</b>	<b>3,108,105</b>	2,429,474
<b>SECURITY DEPOSITS</b>	<b>8,450</b>	1,100
<b>FIXED ASSETS, net</b>	<b>10,666</b>	29,850
<b>TOTAL ASSETS</b>	<b>\$ 3,127,221</b>	\$ 2,460,424
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 84,737	\$ 192,528
Accrued expenses	32,392	17,596
<b>TOTAL CURRENT LIABILITIES</b>	<b>117,129</b>	210,124
<b>NET ASSETS</b>		
Unrestricted	3,010,092	1,496,508
Temporarily restricted	-0-	753,792
<b>TOTAL NET ASSETS</b>	<b>3,010,092</b>	2,250,300
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,127,221</b>	\$ 2,460,424

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

**350.ORG**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2012**  
(With Summarized Financial Information for the Year Ended September 30, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
<b>REVENUE</b>				
Grants and contributions	\$ 2,656,561	\$ 953,298	\$ 3,609,859	\$ 3,008,741
Donated services	68,568		68,568	169,942
Interest income	766		766	4,304
Other income	16,838		16,838	950
Releases from restriction	1,707,090	(1,707,090)	-0-	-0-
<b>TOTAL REVENUE</b>	<b>4,449,823</b>	<b>(753,792)</b>	<b>3,696,031</b>	<b>3,183,937</b>
<b>EXPENSES</b>				
Program services:				
Domestic and Global Field	1,877,023		1,877,023	1,231,947
Policy	66,414		66,414	73,731
Communications	225,351		225,351	169,216
Web	364,019		364,019	356,645
Total program services	2,532,807	-0-	2,532,807	1,831,539
Supporting services:				
Management and general	316,265		316,265	370,815
Fundraising	87,167		87,167	116,839
Total supporting services	403,432	-0-	403,432	487,654
<b>TOTAL EXPENSES</b>	<b>2,936,239</b>	<b>-0-</b>	<b>2,936,239</b>	<b>2,319,193</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,513,584</b>	<b>(753,792)</b>	<b>759,792</b>	<b>864,744</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,496,508</b>	<b>753,792</b>	<b>2,250,300</b>	<b>1,385,556</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,010,092</b>	<b>\$ -0-</b>	<b>\$ 3,010,092</b>	<b>\$ 2,250,300</b>

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

**350.ORG**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2012**  
(With Summarized Financial Information for the Year Ended September 30, 2011)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ 759,792</b>	<b>\$ 864,744</b>
Adjustments to reconcile change in net assets to to net cash provided by (used in) operating activities:		
Depreciation and amortization	25,332	40,655
Decrease (increase) in pledges and grants receivable	665,302	(1,178,376)
Increase in due from 350 Action Fund	(31,944)	-0-
Increase in prepaid expenses	(13,312)	(12,705)
Decrease in other current assets	-0-	1,281
Increase in security deposits	(7,350)	(1,100)
(Decrease) increase in accounts payable	(107,791)	103,890
Increase in accrued expenses	14,796	9,831
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>1,304,825</b>	<b>(171,780)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(6,148)	(6,726)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,148)</b>	<b>(6,726)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,298,677</b>	<b>(178,506)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,219,460</b>	<b>1,397,966</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,518,137</b>	<b>\$ 1,219,460</b>

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

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

**Organization** 350.Org, formerly a fiscally sponsored project, and 1Sky Education Fund, a 501(c)(3) organization, joined together to form one organization (the Organization) effective April 15, 2011. Therefore, the prior year's comparative financial statements shown here reflect the activity of two distinct sets of organizational priorities from 1SKY Education Fund and 350.Org. The Organization continued forward in fiscal year 2012 under the name 350.Org.

The Organization is a dynamic and highly collaborative climate change campaign building a global grassroots movement to solve the climate crisis. The Organization works with volunteers in countries around the world, using online tools to facilitate strategic campaigns, grassroots organizing, and public engagement actions in order to communicate both the realities of science and principles of justice and help realize the solutions that will ensure a better future for all.

The Organization is supported primarily by grants and contributions.

The major programs of the Organization are as follows:

***Domestic Field:*** The Domestic Field program campaigns to bring US federal and local policy in line with the scientific necessities of tackling the climate crisis. This work is accomplished through building broad and deep connections to support community level organizing nation-wide, as well as identifying key moments to elevate an issue and advocate for social change.

***Global Field:*** The Global Field program campaigns to bring international and national policy more in line with the scientific necessities of tackling the climate crisis. This work is accomplished by building broad and deep connections to support an international network of climate activists in nearly every country on Earth, as well as identifying key moments to elevate an issue and push for social change.

***Policy:*** The Policy program encompasses three goals: 1) to translate relevant, in-district activity to policymakers on Capitol Hill, 2) to analyze US federal action and legislation and disseminate this information back to the Organization's network of allies, supporters, organizers, and committed individuals and 3) to analyze opportunities for campaigning by organizers in-district.

***Communications:*** The Communications program works to shape the terms of debate on climate change internationally and domestically through a creative and incisive narrative and a sophisticated media strategy encompassing both traditional and new media.

***Web:*** The Web program works to facilitate dialogue and organizing amongst individuals, organizers, and organizations in the global climate movement around the world. This work is accomplished through online media such as emails, blogs, and social networks, multimedia such as photo galleries and videos, and web tools such as online maps that allow users to more quickly and easily understand how to connect to a global movement for change.

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

<b>Basis of Accounting</b>	The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.
<b>Income Taxes</b>	<p>The Internal Revenue Service has ruled the Organization to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and it is not a private foundation within the meaning of Section 509(a) of the Code. However, income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. The Organization had no net unrelated business income for the year ended September 30, 2012.</p> <p>The Organization requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions. The Organization's IRS Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the federal and state authorities, generally for three years after it is filed.</p>
<b>Cash and Cash Equivalents</b>	For financial statement purposes, the Organization considers all cash held in demand deposit accounts to be cash and cash equivalents.
<b>Pledges and Grants Receivable</b>	The Organization records pledges and grants receivable at estimated net realizable value. The Organization reviews the collectability of the receivables on a regular basis, and no reserve for doubtful accounts has been established because management expects to collect receivables in full.
<b>Fixed Assets</b>	The Organization capitalizes all fixed asset acquisitions greater than \$500. Fixed assets are recorded at cost, if purchased or at fair market value, if donated. Depreciation is computed using the straight-line method over the useful lives of the assets. Maintenance and repairs are charged to expense when incurred.
<b>Revenue Recognition</b>	<p>Unconditional contributions are recorded as support, at fair value, when received or when promised. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the existence and/or nature of the restriction. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net and reported in the statement activities as net assets released from restrictions.</p> <p>Contributed securities are recorded at fair value on the date of gift and are generally sold immediately.</p>

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

**Donated  
Services**

Donated services are recognized as contributions 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 Organization.

Volunteers also provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**Net Assets**

For financial statement purposes, net assets are recorded as follows:

***Unrestricted:*** Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

***Temporarily restricted:*** Temporarily restricted net assets include those net assets whose use by the Organization has been donor restricted by specific time or purpose limitations.

**Functional  
Allocation of  
Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services they directly benefit or upon management's estimates of the proportion of these costs applicable to each function.

**Use of  
Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Prior Year  
Information**

The financial statements include certain prior year summarized comparative totals as of and for the year ended September 30, 2011. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended September 30, 2011, from which the summarized information was derived.

**Reclassifications**

Certain 2011 amounts have been reclassified for comparative purposes.

**350.ORG**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012**

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**NOTE B – CONCENTRATIONS**

As of September 30, 2012, the pledges and grants receivable were due from one donor.

The Organization maintains a cash balance at a financial institution. The account at this institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to a certain amount. At times during the year, the Organization's cash balance exceeded the FDIC insurance amount. Management believes the risk in this situation to be minimal.

**NOTE C – TEMPORARILY RESTRICTED NET ASSETS**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors for the year ended September 30, 2012 as follows:

<b>Purpose</b>	<b>Amount</b>
Domestic field campaigns	<b>\$ 1,122,590</b>
Communications	<b>4,500</b>
Timing	<b>580,000</b>
<b>Net assets released from temporary restrictions</b>	<b>\$ 1,707,090</b>

**NOTE D – RELATED PARTY TRANSACTIONS**

The Organization shares office space and other related expenses and services with 350.Org Action Fund (the Fund), a nonprofit organization exempt under 501(c)(4) of the Internal Revenue Code. Costs have been allocated between the Organization and the Fund based upon salaries.

**NOTE E – RETIREMENT PLAN**

The Organization established a 401(K) plan (the Plan), effective January 1, 2009, that covers all employees age 21 and older with 90 days of service. Matching contributions will be made on behalf of participants in an amount equal to 100% of the eligible participant's elective deferrals that do not exceed 3% of the participant's compensation and 50% of the amount of the participant's elective deferrals that exceed 3% of

**350.ORG**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2012**

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**NOTE E – RETIREMENT PLAN (Continued)**

the participant's compensation up to 5% of the participant's compensation. The matching contribution will not exceed 4% of the participant's compensation. The Organization's contributions to the Plan were approximately \$18,800 for the year ended September 30, 2012.

**NOTE F – FIXED ASSETS**

Fixed assets consisted of the following as of September 30, 2012:

<b>Description</b>	<b>Amount</b>
Equipment	\$ 17,654
Software	26,840
Website	91,559
	<b>136,053</b>
Less: accumulated depreciation and amortization	<b>(125,387)</b>
<b>Fixed assets, net</b>	<b>\$ 10,666</b>

**NOTE G – DONATED SERVICES**

The Organization received donated legal services of approximately \$69,000 for the year ended September 30, 2012. The legal expenses were allocated to management and general.

**NOTE H – OPERATING LEASE**

The Organization has entered into a lease for office space and is obligated under the lease through July of 2014.

Future minimum rental payments required under the lease are as follows:

<b>Years Ending December 31,</b>	<b>Amount</b>
2013	\$ 39,600
2014	33,000
<b>Total minimum lease payments</b>	<b>\$ 72,600</b>

Rent expense for the year ended September 30, 2012 was approximately \$99,000.

**NOTE I – SUBSEQUENT EVENTS**

Subsequent events were evaluated through May 21, 2013, which is the date the financial statements were available to be issued.