

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	Page No.
Independent Auditor's Report.....	1-2
 Financial Statements	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5-6
Statement of Cash Flows.....	7
 Notes to Financial Statements.....	 8-14

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Independent Auditor's Report

May 23, 2017

To the Officers and Directors of
Northeast Sustainable Energy Association, Inc.
50 Miles Street
Greenfield, MA 01301

I have audited the accompanying financial statements of Northeast Sustainable Energy Association, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 judgement, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Sustainable Energy Association, Inc. as of June 30, 2016, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Edward L. Margola CPA". The signature is written in a cursive, somewhat stylized font.

Edward L. Margola
Certified Public Accountant

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

Cash	\$	43,804
Receivables		145,160
Short term investments		168,967
Prepaid expenses		8,842
Property and equipment		<u>298,637</u>
Total Assets	\$	<u>665,410</u>

LIABILITIES

Accounts payable	\$	12,105
Accrued payroll		25,905
Accrued vacation pay		30,046
Accrued and withheld payroll taxes		3,344
Unearned revenue		128,691
Line of credit		<u>203,999</u>
Total Liabilities		404,090

NET ASSETS

Unrestricted		
Operating	(156,956)
Board designated		49,639
Fixed assets		<u>298,637</u>
Total unrestricted		191,320
Permanently restricted		<u>70,000</u>
Total Net Assets		<u>261,320</u>
Total Liabilities and Net Assets	\$	<u>665,410</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

SUPPORT, REVENUE & RECLASSIFICATIONS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions and grants	\$ 42,580	147,179		189,759
Memberships	221,400			221,400
Sponsorships		253,416		253,416
Advertising		583		583
Registrations	440,572			440,572
Booth rental	286,668			286,668
Other revenue	40,267			40,267
Investment income	3,650			3,650
Unrealized gains (losses)	(3,493)			(3,493)
Net assets released from restrictions	<u>401,178</u>	<u>(401,178)</u>		<u>-</u>
Total Support, Revenue and Reclassifications	1,432,822	-		1,432,822
EXPENSES				
Program Services				
Buildings and renewables	940,874			940,874
Member services	110,057			110,057
Total Program Services	<u>1,050,931</u>	<u>-</u>		<u>1,050,931</u>
Support Services				
Development	58,383			58,383
Administration	471,247			471,247
Total Support Services	<u>529,630</u>			<u>529,630</u>
Total Expenses	<u>1,580,561</u>			<u>1,580,561</u>
CHANGE IN NET ASSETS	(147,739)	-		(147,739)
NET ASSETS, BEGINNING OF YEAR	<u>339,059</u>		<u>70,000</u>	<u>409,059</u>
NET ASSETS, END OF YEAR	<u>\$ 191,320</u>		<u>70,000</u>	<u>261,320</u>

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	<u>PROGRAM SERVICES</u>		
	<u>Buildings/ Renewables</u>	<u>Member Services</u>	<u>TOTAL</u>
Payroll	\$ 340,374	80,480	420,854
Employee Benefits	5,879	1,390	7,269
Payroll taxes	<u>29,930</u>	<u>7,356</u>	<u>37,286</u>
Total	376,183	89,226	465,409
Advertising	36,118		36,118
Casual labor	1,530		1,530
Food	147,823	3,485	151,308
Consultants			
Computer/Website	3,709		3,709
Public relations	70,044	7,587	77,631
Dues and fees	47,329	5,906	53,235
Equipment rental	36,649		36,649
Insurance	2,550		2,550
Meeting space	50,631		50,631
Postage	16,849	1,657	18,506
Printing	15,555	450	16,005
Prizes and awards	15,500	331	15,831
Security	6,937		6,937
Speaker fees	42,483		42,483
Supplies	7,441	111	7,552
Telecommunications	6,433	966	7,399
Travel	53,684	338	54,022
Uncollectible Commitments	<u>3,426</u>		<u>3,426</u>
Total Expenses	\$ <u>940,874</u>	<u>110,057</u>	<u>1,050,931</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Total Program Services	Support Services	Total Support Services	Total Functional Expenses
		Development	Admin- istration	
Payroll	\$ 420,854	21,659	238,606	681,119
Employee Benefits	7,269	374	30,379	38,022
Payroll taxes	37,286	1,858	24,631	63,775
Total	465,409	23,891	293,616	782,916
Advertising	36,118		495	36,613
Casual labor	1,530			1,530
Food	151,308	2,386	3,882	157,576
Professional fees			8,175	8,175
Consultants				
Computer / website	3,709	254	25,340	29,303
Public relations	77,631	3,857	26,852	108,340
Depreciation			43,366	43,366
Dues and fees	53,235	14,697	13,509	81,441
Equipment rental and repairs	36,649		5,015	41,664
Insurance	2,550		8,348	10,898
Interest			4,169	4,169
Meeting space	50,631	5,355	222	56,208
Miscellaneous			1,348	1,348
Occupancy			18,733	18,733
Postage	18,506	2,589		21,095
Printing and copying	16,005	90		16,095
Prizes and awards	15,831			15,831
Security	6,937			6,937
Speaker Fees	42,483			42,483
Supplies	7,552	130	7,228	14,910
Telecommunications	7,399	254	2,279	9,932
Travel	54,022	4,880	8,670	67,572
Uncollectible Commitments	3,426			3,426
Total Expenses	<u>\$1,050,931</u>	<u>58,383</u>	<u>471,247</u>	<u>1,580,561</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$(147,740)
Adjustments to reconcile changes in net assets to net cash from operating activities	
Depreciation	43,366
Unrealized (gains) losses	3,493
(Increase) decrease in operating assets	
Receivables	(66,934)
Prepaid expenses	(4,634)
Increase (decrease) in operating liabilities	
Accounts payable	(37,192)
Accrued payroll	9,058
Accrued vacation pay	12,859
Withheld and accrued payroll tax	2,030
Unexpended grant funds	(82,841)
Unearned revenue	<u>33,150</u>
Net Cash Provided (Used) by Operating Activities	(235,385)

CASH FLOWS FROM INVESTING ACTIVITIES

Line of credit	166,299
Property and equipment additions	(82,159)
Short term investments	164,568
Investment income reinvested, net	<u>(3,650)</u>
Net Cash Provided (Used) by Investing Activities	<u>245,058</u>

NET INCREASE (DECREASE) IN CASH 9,673

CASH AT BEGINNING OF YEAR 34,131

CASH AT END OF YEAR \$ 43,804

SUPPLEMENTAL DATA

Interest paid \$ 4,169

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1. Organization

Northeast Sustainable Energy Association, Inc. (NESEA) is a Vermont not-for-profit corporation incorporated on March 27, 1975. The purpose of the organization is to promote alternative sources of energy and energy conservation through publications, demonstrations, conferences, and seminars. The organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and has been determined to not be a private foundation by the Internal Revenue Service. The corporation is also exempt from Vermont income tax. Northeast Sustainable Energy Association, Inc. operated four programs during the fiscal year being reported on: buildings, education, renewable energy, and member services.

2. Summary of Significant Accounting Policies

The financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles applicable to not-for-profit organizations. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the results of reported assets, liabilities, revenue, and expenses. Actual results could differ from those estimates.

3. Income Taxes

NESEA is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

4. Cash Equivalents

The cash amount referred to on these financial statements represents checking and money market account balances. The organization has no other type of cash equivalents.

5. Property and Equipment

Property and equipment purchased by the organization with a cost of more than \$750 is capitalized at cost. Property and equipment donated to the organization with a fair market value of more than \$750 is capitalized at the fair market value. The balances in the accounts at June 30, 2016 are summarized as follows:

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Website development	\$172,507
Equipment, furnishings and fixtures	75,830
Building and improvements	<u>322,423</u>
	570,760
Accumulated depreciation	<u>(272,123)</u>
	<u>\$298,637</u>

Depreciation is computed using the straight line method over the asset's estimated useful life. Depreciable lives of the organization's assets range from 5 to 40 years. The depreciation expense for the year ended June 30, 2016 was \$43,366.

6. **Receivables**

The receivables include sponsorship pledges which have been reported as contribution income on these financial statements. All of the sponsorships receivable are expected to be received within one year of the date of these financial statements. Receivables also include amounts due from advertising revenue, contracted services, and government grants. These receivables are reported at their original invoiced amounts.

7. **Short-Term Investments**

Investments consist of equity mutual funds and common stock. They are stated at their fair market value which as of June 30, 2016 was \$168,967. Earnings for the period amounted to \$3,650 and unrealized gains (losses) for the period on these investments totaled \$(3,493). Permanently restricted funds of \$70,000 and Board designated funds in the amount of \$49,639 have been invested in mutual funds and common stock. Investment expenses totaled \$1,085 at June 30, 2016.

8. **Fair Value Measurement**

The FASB has issued guidance that defines fair value, establishes a framework for measuring fair value, specifies a fair value hierarchy based on the inputs used to measure fair value and specifies disclosure requirements for fair value measurements. The guidance also maximizes the use of observable inputs by requiring that observable inputs be used when available.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Observable inputs are inputs that market participants would use in pricing an asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Inputs are used in applying the various valuation techniques and broadly refer to assumptions that market participants used to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable requires significant judgement by NESEA. NESEA considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based on the pricing transparency of the instrument and does not necessarily correspond to the NESEA's perceived risk of that instrument.

Investments for which values are based on quoted market prices in active markets, and are therefore classified within Level 1, include mutual funds, common and preferred stock, and short-term money market mutual funds. NESEA does not adjust the quoted price for such instruments, even in situations where NESEA holds a large position and a sale could reasonably impact the quoted price.

Level 2 - Investments that trade in markets that are not considered to be active, but that are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within Level 2. As level 2 investments include positions that are not traded in active markets and/or subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Level 3 - Investments classified within Level 3 have significant unobservable inputs as they trade infrequently or not at all. When observable prices are not available for these investments, NESEA uses one or more valuation techniques (e.g., the market approach, the income approach or the cost approach) for which sufficient and reliable data is available.

NESEA has no investments recorded as level 2 or Level 3 as of June 30, 2016.

9. **Fair Value Measurements**

The following table summarizes assets by fair value measurement level as of June 30:

	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Security	\$ 99,046			\$ 99,046
Money Market	23,330			23,330
Mutual Funds	<u>46,591</u>			<u>46,591</u>
Total investments at fair value	\$ <u>168,967</u>	\$ <u>-</u>	\$ <u>-</u>	<u>168,967</u>

All realized and unrealized gains or losses in the tables above are reflected in the accompanying statements of activities.

10. **Unrestricted Net Assets - Board Designated**

The board of directors has designated a certain amount of unrestricted net assets as the sustainability fund. The purpose of this fund is to ensure the long-term financial stability of the organization.

11. **Lines of credit**

Northeast Sustainable Energy Association, Inc. has two lines of credit at Greenfield Savings Bank.

The lines of credit are for amounts up to \$250,000 and is secured by all of the assets of the organization. As of June 30, 2016, there was a balance of \$203,999 due on these lines of credit. The lines of credit are due on demand and the interest on any outstanding balance is charged at the bank's base rate, which is currently 4.00%.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

12. **Tax Deferred Savings Plan**

The organization provides a 401(k) tax deferred savings plan for its employees. Employees may make voluntary contributions to this plan and the employees are 100% vested in these accounts. Voluntary contributions made by eligible employees during the current period amounted to \$26,494.

13. **Contributed Services**

No amounts have been reflected in the financial statements for donated services. NESEA pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist NESEA with specific assistance programs, campaign solicitations, and various committee assignments. NESEA receives numerous volunteer hours per year. During the year ended June 30, 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

14. **Estimates**

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

15. **Concentration of Credit Risk**

NESEA has certain financial instruments that subject it to potential credit risk. Those financial instruments consist primarily of cash and cash equivalents. NESEA maintains its cash balance with financial institutions. At times, these balances may exceed the Federal Deposit Insurance Corporation insured limits. NESEA has not experienced any loss on these accounts and believes there is no significant exposure of credit risk on cash and cash equivalents.

16. **Donated 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

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

17. Permanently Restricted Funds

The organization presently has \$70,000 in funds permanently restricted by the donor. Of this amount, \$50,000 has been restricted for use by the organization to address cash flow issues which occur on an annual cycle caused by the timing of events. The other \$20,000 is to be used by NESEA as an endowment fund with the annual income to be used in an unrestricted manner. All of the funds are from the same donor who has asked that the monies be invested in a socially responsible manner. As of June 30, 2016, these monies were invested in equity securities and money markets.

18. Concentration of Revenue

The organization receives approximately 44.6% of its annual revenues from the Boston Building and Energy Conference held each year in April. The organization also receives approximately 18.2% of its annual revenues from the New York Building & Energy Conference held each year in October.

19. Development

The organization reports the total cost of all fund-raising activities in the Statement of Functional Expenses under the heading "Development".

20. Advertising

NESEA uses advertising to promote its programs, workshops, and conferences. The costs of advertising are expensed as incurred. During the year ended June 30, 2016, advertising costs totaled \$144,953 and are reflected as "Public Relations" and "Advertising" in the Statement of Functional Expenses.

21. Open Tax Years

NESEA files income tax returns in the U.S. federal, and the state of Massachusetts jurisdictions. The company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

22. Evaluation of Subsequent Events

NESEA has evaluated subsequent events through May 23, 2017, the date upon which the financial statements were available to be issued.