

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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EDWARD L. MARGOLA  
Certified Public Accountant

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May 29, 2015

**Independent Auditor's Report**

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, 2014, 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 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.

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 misstatements.

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.

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, 2014, and the changes in its net assets and cash flows for the year then ended in conformity 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, 2014

ASSETS

Cash	\$ 41,660
Receivables	49,180
Short term investments	441,579
Prepaid expenses	75,059
Property and equipment	<u>163,446</u>
Total Assets	\$ <u>770,924</u>

LIABILITIES

Accounts payable	\$ 73,678
Accrued payroll	23,423
Accrued vacation pay	4,867
Accrued and withheld payroll taxes	5,653
Unexpended grant funds	84,018
Unearned revenue	128,691
Line of credit	<u>6,900</u>
Total Liabilities	327,230

NET ASSETS

Unrestricted	
Operating	157,455
Board designated	52,793
Fixed assets	<u>163,446</u>
Total unrestricted	373,694
Permanently restricted	<u>70,000</u>
Total Net Assets	<u>443,694</u>
Total Liabilities and Net Assets	\$ <u>770,924</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

SUPPORT, REVENUE & RECLASSIFICATIONS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions and grants	\$ 48,371	85,165		133,536
Memberships	65,975			65,975
Sponsorships		208,750		208,750
Advertising		47,034		47,034
Registrations	506,473			506,473
Booth rental	190,130			190,130
Other revenue	46,468			46,468
Investment income	1,279			1,279
Unrealized gains (losses)	15,423			15,423
Net assets released from restrictions	<u>340,949</u>	<u>( 340,949)</u>		<u>-</u>
Total Support, Revenue and Reclassifications	1,215,068	-		1,215,068
<b>EXPENSES</b>				
Program Services				
Buildings and renewables	762,800			762,800
Member services	<u>132,470</u>			<u>132,470</u>
Total Program Services	895,270	-		895,270
Support Services				
Development	37,553			37,553
Administration	<u>256,876</u>			<u>256,876</u>
Total Support Services	<u>294,429</u>			<u>294,429</u>
Total Expenses	<u>1,189,699</u>			<u>1,189,699</u>
<b>CHANGE IN NET ASSETS</b>	25,369	-		25,369
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>348,325</u>	-	<u>70,000</u>	<u>418,325</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 373,694</u>	-	<u>70,000</u>	<u>443,694</u>

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	<u>PROGRAM SERVICES</u>		
	<u>Buildings/ Renewables</u>	<u>Member Services</u>	<u>TOTAL</u>
Payroll	\$ 247,187	60,255	307,442
Employee Benefits	68	20	88
Payroll taxes	<u>31,573</u>	<u>7,100</u>	<u>38,673</u>
Total	278,828	67,375	346,203
Advertising	5,080		5,080
Casual labor	3,704		3,704
Food	106,251	3,415	109,666
Consultants			
Computer/Website	28,592	6,201	34,793
Public relations	107,371	16,306	123,677
Dues and fees	19,708	12,302	32,010
Equipment rental	70,744		70,744
Meeting space	24,450	200	24,650
Postage	11,322	2,422	13,744
Printing	24,036	20,427	44,463
Prizes and awards	18,586		18,586
Security	4,700		4,700
Speaker fees	35,549		35,549
Supplies	2,476	324	2,800
Telecommunications	6,321	2,197	8,518
Travel	<u>15,082</u>	<u>1,301</u>	<u>16,383</u>
Total Expenses	\$ <u>762,800</u>	<u>132,470</u>	<u>895,270</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2014

	Total Program Services	Support Services	Admin- istration	Total Support Services	Total Functional Expenses
Payroll	\$ 307,442	21,201	129,791	150,992	458,434
Employee Benefits	88	31	29,912	29,943	30,031
Payroll taxes	38,673	2,434	10,696	13,130	51,803
Total	<u>346,203</u>	<u>23,666</u>	<u>170,399</u>	<u>194,065</u>	<u>540,268</u>
Advertising	5,080				5,080
Casual labor	3,704				3,704
Food	109,666	6,485	2,386	8,871	118,537
Professional fees			8,008	8,008	8,008
Consultants					
Computer / website	34,793	989	2,965	3,954	38,747
Public relations	123,677	432	( 703)	( 271)	123,406
Depreciation			23,729	23,729	23,729
Dues and fees	32,010	1,824	4,615	6,439	38,449
Equipment rental and repairs	70,744	233	2,341	2,574	73,318
Insurance			8,280	8,280	8,280
Interest			141	141	141
Meeting space	24,650				24,650
Miscellaneous			1,717	1,717	1,717
Occupancy			23,456	23,456	23,456
Postage	13,744	795	267	1,062	14,806
Printing and copying	44,463	923	161	1,084	45,547
Prizes and awards	18,586		24	24	18,610
Security	4,700				4,700
Speaker Fees	35,549				35,549
Supplies	2,800	205	6,224	6,429	9,229
Telecommunications	8,518	687	398	1,085	9,603
Travel	16,383	1,314	2,468	3,782	20,165
Total Expenses	<u>\$ 895,270</u>	<u>37,553</u>	<u>256,876</u>	<u>294,429</u>	<u>1,189,699</u>

SEE ACCOMPANYING NOTES



NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in net assets	\$ 25,369
Adjustments to reconcile changes in net assets to net cash from operating activities	
Depreciation	23,729
Unrealized (gains) losses	( 15,423)
(Increase) decrease in operating assets	
Receivables	( 7,930)
Prepaid expenses	( 62,377)
Increase (decrease) in operating liabilities	
Accounts payable	73,269
Accrued payroll	327
Accrued vacation pay	( 5,368)
Withheld and accrued payroll tax	( 650)
Unexpended grant funds	( 36,599)
Unearned revenue	( 4,206)
Line of credit	<u>6,900</u>
Net Cash Provided (Used) by Operating Activities	<u>( 2,959)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Property and equipment additions	( 54,544)
Short term investments	75,050
Investment income reinvested, net	<u>( 1,279)</u>
Net Cash Provided (Used) by Investing Activities	<u>19,227</u>

**NET INCREASE (DECREASE) IN CASH** 16,268

**CASH AT BEGINNING OF YEAR** 25,392

**CASH AT END OF YEAR** \$ 41,660

**SUPPLEMENTAL DATA**

Interest paid	\$ 141
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SEE ACCOMPANYING NOTES

**NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**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. Website Development**

The organization has entered into an agreement to build a new website. The full amount of the expenditures to date, \$56,780 has been capitalized. The useful life of the website is five years and is being depreciated over 60 months beginning with the in-service month of June 2012. Depreciation for the year ended June 30, 2014 was \$11,356.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

6. **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, 2014 are summarized as follows:

Website development	\$ 91,493
Equipment, furnishings and fixtures	134,055
Building and improvements	<u>178,015</u>
	403,563
Accumulated depreciation	<u>(240,117)</u>
	<u>\$163,446</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, 2014 was \$23,729.

7. **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.

8. **Short-Term Investments**

Investments consist of four equity mutual funds, common stock and a Flexible CD that matures November 8, 2014. They are stated at their fair market value which as of June 30, 2014 was \$388,786. Earnings for the period amounted to \$1,279 and unrealized gains (losses) for the period on these investments totaled \$15,423. Permanently restricted funds of \$70,000 have been invested in a Flexible CD. Board designated funds in the amount of \$52,793 have been invested in mutual funds and common stock.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

9. **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.

10. **Line of credit**

Northeast Sustainable Energy Association, Inc. has a line of credit at Greenfield Savings Bank.

The line of credit is for amounts up to \$250,000 and is secured by all of the assets of the organization. As of June 30, 2014, there was a balance of \$6,900 due on this line of credit. The line of credit is due on demand and the interest on any outstanding balance is charged at the bank's base rate, which is currently 3.25%.

11. **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 \$24,404.

12. **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, 2014, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

13. **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.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

14. **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 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.

15. **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, 2014, these monies were invested in a Flexible CD.

16. **Concentration of Revenue**

The organization receives approximately 54.8% of its annual revenues from the Building and Energy Conference held each year in April.

17. **Development**

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

18. **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, 2014, advertising costs totaled \$128,757 and are reflected as "Public Relations" and "Advertising" in the Statement of Functional Expenses.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

19. Unexpended Grant Funds

Unexpended grant funds consists of a Barr Foundation grant of \$125,000 awarded to support "Transforming the Market for Residential Zero Net Energy Buildings". As of June 30, 2014, NESEA had expended \$40,982 towards the purpose of the grant. At June 30, 2014, \$84,018 in unexpended funds remained to be used in future periods.

20. Evaluation of Subsequent Events

NESEA has evaluated subsequent events through May 29, 2015, the date upon which the financial statements were available to be issued.