

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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April 30, 2014

Independent Auditor's Report

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

I have audited the accompanying statements of financial position of Northeast Sustainable Energy Association, Inc. (a non-profit organization) as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Northeast Sustainable Energy Association, Inc.'s management. My responsibility is to express an opinion on these financial statements based upon 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 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. I believe that my audit provides a reasonable basis for my 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, 2013, 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.



Edward L. Margola
Certified Public Accountant

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

ASSETS

Cash	\$	25,392
Receivables		41,250
Short term investments		499,927
Prepaid expenses		12,682
Property and equipment		<u>132,631</u>
Total Assets	\$	<u>711,882</u>

LIABILITIES

Accounts payable	\$	409
Accrued payroll		23,096
Accrued vacation pay		10,235
Accrued and withheld payroll taxes		6,303
Unexpended grant funds		120,617
Unearned revenue		<u>132,897</u>
Total Liabilities		293,557

NET ASSETS

Unrestricted		
Operating		178,807
Board designated		36,887
Fixed assets		<u>132,631</u>
Total unrestricted		348,325
Permanently restricted		<u>70,000</u>
Total Net Assets		<u>418,325</u>
Total Liabilities and Net Assets	\$	<u>711,882</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

SUPPORT, REVENUE & RECLASSIFICATIONS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions and grants	\$ 49,464	14,383		63,847
Memberships	72,464			72,464
Sponsorships		155,116		155,116
Advertising		42,628		42,628
Registrations	437,313			437,313
Booth rental	223,050			223,050
Other revenue	41,885			41,885
Investment income	1,251			1,251
Unrealized gains (losses)	5,805			5,805
Net assets released from restrictions	<u>212,127</u>	<u>(212,127)</u>		<u>-</u>
Total Support, Revenue and Reclassifications	1,043,359	-		1,043,359
EXPENSES				
Program Services				
Buildings and renewables	616,788			616,788
Member services	130,306			130,306
Total Program Services	<u>747,094</u>	<u>-</u>		<u>747,094</u>
Support Services				
Development	28,881			28,881
Administration	248,454			248,454
Total Support Services	<u>277,335</u>			<u>277,335</u>
Total Expenses	<u>1,024,429</u>			<u>1,024,429</u>
CHANGE IN NET ASSETS	18,929	-		18,929
NET ASSETS, BEGINNING OF YEAR	<u>329,396</u>		<u>70,000</u>	<u>399,396</u>
NET ASSETS, END OF YEAR	<u>\$ 348,325</u>		<u>70,000</u>	<u>418,325</u>

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013

	<u>PROGRAM SERVICES</u>		
	<u>Buildings/ Renewables</u>	<u>Member Services</u>	<u>TOTAL</u>
Payroll	\$ 203,982	52,439	256,421
Payroll taxes	<u>30,706</u>	<u>5,860</u>	<u>36,566</u>
Total	234,688	58,299	292,987
Advertising	1,897		1,897
Casual labor	4,211		4,211
Food	84,300	3,071	87,371
Consultants			
Public relations	28,757	33,221	61,978
Dues and fees	22,012	11,689	33,701
Equipment rental	85,927		85,927
Meeting space	22,050	437	22,487
Postage	17,663	2,883	20,546
Printing	24,539	16,481	41,020
Prizes and awards	15,355		15,355
Security	4,470		4,470
Speaker fees	34,310		34,310
Supplies	11,145	233	11,378
Telecommunications	4,608	2,229	6,837
Travel	<u>20,856</u>	<u>1,763</u>	<u>22,619</u>
Total Expenses	\$ <u>616,788</u>	<u>130,306</u>	<u>747,094</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Total Program Services	Support Services		Total Support Services	Total Functional Expenses
	Development	Admin- istration	Total	Total	Total
Payroll	15,528	143,904	159,432	159,432	415,853
Payroll taxes	1,611	13,049	14,660	14,660	51,226
Total	<u>17,139</u>	<u>156,953</u>	<u>174,092</u>	<u>174,092</u>	<u>467,079</u>
Advertising	1,897				1,897
Casual labor	4,211				4,211
Food	606	540	1,146	1,146	88,517
Professional fees		8,608	8,608	8,608	8,608
Consultants					
Computer / website		14,299	14,299	14,299	15,914
Public relations	330		330	330	60,693
Other					4,470
Depreciation		20,869	20,869	20,869	20,869
Dues and fees	323	2,675	2,998	2,998	36,699
Equipment rental and repairs		2,598	2,598	2,598	88,525
Insurance		6,479	6,479	6,479	6,479
Meeting space	3,530		3,530	3,530	26,017
Miscellaneous	2,994	(743)	2,251	2,251	2,251
Occupancy		23,560	23,560	23,560	23,560
Postage	1,442	765	2,207	2,207	22,753
Printing and copying	502	1,287	1,789	1,789	42,809
Prizes and awards					15,355
Speaker fees		7,436	7,436	7,436	34,310
Supplies		2,371	2,371	2,371	18,814
Telecommunications	1,091	757	1,848	1,848	10,299
Travel	<u>924</u>		<u>924</u>	<u>1,681</u>	<u>24,300</u>
Total Expenses	<u>747,094</u>	<u>248,454</u>	<u>277,335</u>	<u>277,335</u>	<u>1,024,429</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 18,929
Adjustments to reconcile changes in net assets to net cash from operating activities	
Depreciation	20,869
Unrealized (gains) losses	(5,805)
(Increase) decrease in operating assets	
Receivables	(11,977)
Prepaid expenses	(12,682)
Increase (decrease) in operating liabilities	
Accounts payable	(9,997)
Accrued payroll	17,602
Accrued vacation pay	82
Withheld and accrued payroll tax	3,463
Unexpended grant funds	120,617
Unearned revenue	<u>61,262</u>
Net Cash Provided (Used) by Operating Activities	<u>202,363</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Property and equipment additions	(18,904)
Short term investments	(161,708)
Investment income reinvested, net	<u>(1,222)</u>
Net Cash Provided (Used) by Investing Activities	<u>(181,834)</u>

NET INCREASE (DECREASE) IN CASH 20,529

CASH AT BEGINNING OF YEAR 4,863

CASH AT END OF YEAR \$ 25,392

SUPPLEMENTAL DATA

Interest paid \$ -

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 was \$11,536.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 are summarized as follows:

Website development	\$ 56,780
Equipment, furnishings and fixtures	135,352
Building and improvements	<u>158,184</u>
	<u>350,316</u>
Accumulated depreciation	<u>(217,685)</u>
	<u>\$132,631</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, 2013 was \$20,869.

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, 2013. They are stated at their fair market value which as of June 30, 2013 was \$499,927. Earnings for the period amounted to \$1,251 and unrealized gains (losses) for the period on these investments totaled \$5,805. Permanently restricted funds of \$70,000 have been invested in a Flexible CD. Board designated funds in the amount of \$36,887 have been invested in mutual funds and common stock.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, there was no balance 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 \$19,874.

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, 2013, 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, 2013

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, 2013, these monies were invested in a Flexible CD.

16. **Concentration of Revenue**

The organization receives approximately 67.9% 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, 2013, advertising costs totaled \$62,590 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, 2013

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, 2013, NESEA had expended \$4,383 towards the purpose of the grant. At June 30, 2013, \$120,617 in unexpended funds remained to be used in future periods.

20. Evaluation of Subsequent Events

NESEA has evaluated subsequent events through April 30, 2014, the date upon which the financial statements were available to be issued.