

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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EDWARD L. MARGOLA
Certified Public Accountant

377 Main Street P.O. Box 701
Greenfield, MA 01302
Tel: (413) 773-3424
Fax: (413) 773-5779

Independent Auditor's Report

May 16, 2016

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, 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

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, 2015, 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 that reads "Edward L. Margola CPA". The signature is written in a cursive, flowing style.

Edward L. Margola
Certified Public Accountant

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

ASSETS

Cash	\$	34,131
Receivables		78,225
Short term investments		333,378
Prepaid expenses		4,208
Property and equipment		<u>259,845</u>
Total Assets	\$	<u>709,787</u>

LIABILITIES

Accounts payable	\$	49,299
Accrued payroll		16,846
Accrued vacation pay		17,186
Accrued and withheld payroll taxes		1,315
Unexpended grant funds		82,841
Unearned revenue		95,541
Line of credit		<u>37,700</u>
Total Liabilities		300,728

NET ASSETS

Unrestricted		
Operating		27,979
Board designated		51,235
Fixed assets		<u>259,845</u>
Total unrestricted		339,059
Permanently restricted		<u>70,000</u>
Total Net Assets		<u>428,459</u>
Total Liabilities and Net Assets	\$	<u>709,787</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

<u>SUPPORT, REVENUE & RECLASSIFICATIONS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions and grants	\$ 35,429	77,296		112,725
Memberships	160,430			160,430
Sponsorships		234,815		234,815
Advertising		46,692		46,692
Registrations	452,340			452,340
Booth rental	276,750			276,750
Other revenue	69,074			69,074
Investment income	2,128			2,128
Unrealized gains (losses)	(4,076)			(4,076)
Net assets released from restrictions	<u>358,803</u>	<u>(358,803)</u>		<u>-</u>
Total Support, Revenue and Reclassifications	1,350,878	-		1,350,878
EXPENSES				
Program Services				
Buildings and renewables	784,925			784,925
Member services	137,723			137,723
Total Program Services	<u>922,648</u>	<u>-</u>		<u>922,648</u>
Support Services				
Development	35,889			35,889
Administration	426,976			426,976
Total Support Services	<u>462,865</u>			<u>462,865</u>
Total Expenses	<u>1,385,513</u>			<u>1,385,513</u>
CHANGE IN NET ASSETS	(34,635)	-		(34,635)
NET ASSETS, BEGINNING OF YEAR	<u>373,694</u>		<u>70,000</u>	<u>443,694</u>
NET ASSETS, END OF YEAR	<u>\$ 339,059</u>		<u>70,000</u>	<u>409,059</u>

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	<u>PROGRAM SERVICES</u>		
	<u>Buildings/ Renewables</u>	<u>Member Services</u>	<u>TOTAL</u>
Payroll	\$ 290,932	68,573	359,505
Employee Benefits	11,699	2,758	14,457
Payroll taxes	<u>29,374</u>	<u>7,905</u>	<u>37,279</u>
Total	332,005	79,236	411,241
Advertising	22,839		22,839
Casual labor	1,384		1,384
Food	138,198	943	139,141
Consultants			
Computer/Website	(1,164)	1,619	455
Public relations	62,863	19,521	82,384
Dues and fees	25,055	5,401	30,456
Equipment rental	35,559		35,559
Insurance	2,027		2,027
Meeting space	34,150	750	34,900
Miscellaneous	845	3,057	3,902
Occupancy	189	41	230
Postage	10,145	3,438	13,583
Printing	21,174	21,194	42,368
Prizes and awards	9,354		9,354
Security	7,757		7,757
Speaker fees	31,810		31,810
Supplies	7,284	987	8,271
Telecommunications	6,274	1,142	7,416
Travel	<u>37,177</u>	<u>394</u>	<u>37,571</u>
Total Expenses	\$ <u>784,925</u>	<u>137,723</u>	<u>922,648</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Total Program Services	Support Services		Total Support Services	Total Functional Expenses
		Development	Admin- istration		
Payroll	\$ 359,505	18,095	208,196	226,291	585,796
Employee Benefits	14,457	727	8,372	9,099	23,556
Payroll taxes	37,279	2,027	20,204	22,231	59,510
Total	<u>411,241</u>	<u>20,849</u>	<u>236,772</u>	<u>257,621</u>	<u>668,862</u>
Advertising	22,839	440	(3,556)	(3,116)	19,723
Casual labor	1,384		800	800	2,184
Food	139,141	28	5,952	5,980	145,121
Professional fees			8,257	8,257	8,257
Consultants					
Computer / website	455	403	20,144	20,547	21,002
Public relations	82,384	923	3,090	4,013	86,397
Depreciation			57,781	57,781	57,781
Dues and fees	30,456	3,866	22,256	26,122	56,578
Equipment rental and repairs	35,559		2,791	2,791	38,350
Insurance	2,027		6,916	6,916	8,943
Interest			126	126	126
Meeting space	34,900		369		35,269
Miscellaneous	3,902		2,275	2,275	6,177
Occupancy	230	11	41,689	41,700	41,930
Postage	13,583	4,466	1,027	5,493	19,076
Printing and copying	42,368		264	264	42,632
Prizes and awards	9,354		50	50	9,404
Security	7,757				7,757
Speaker Fees	31,810		250	250	32,060
Supplies	8,271	57	7,916	7,973	16,244
Telecommunications	7,416	533	3,480	4,013	11,429
Travel	<u>37,571</u>	<u>4,313</u>	<u>8,327</u>	<u>12,640</u>	<u>50,211</u>
Total Expenses	<u>\$ 922,648</u>	<u>35,889</u>	<u>426,976</u>	<u>462,865</u>	<u>1,385,513</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$(34,635)
Adjustments to reconcile changes in net assets to net cash from operating activities	
Depreciation	57,781
Unrealized (gains) losses	4,076
(Increase) decrease in operating assets	
Receivables	(29,045)
Prepaid expenses	70,851
Increase (decrease) in operating liabilities	
Accounts payable	(24,379)
Accrued payroll	(6,577)
Accrued vacation pay	12,319
Withheld and accrued payroll tax	(4,338)
Unexpended grant funds	(1,177)
Unearned revenue	(33,150)
Line of credit	<u>30,800</u>
Net Cash Provided (Used) by Operating Activities	<u>42,526</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Property and equipment additions	(154,179)
Short term investments	106,252
Investment income reinvested, net	<u>(2,128)</u>
Net Cash Provided (Used) by Investing Activities	<u>(50,055)</u>

NET INCREASE (DECREASE) IN CASH (7,529)

CASH AT BEGINNING OF YEAR 41,660

CASH AT END OF YEAR \$ 34,131

SUPPLEMENTAL DATA

Interest paid \$ 126

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 was \$11,356.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 are summarized as follows:

Website development	\$172,507
Equipment, furnishings and fixtures	139,648
Building and improvements	<u>245,586</u>
	557,741
Accumulated depreciation	<u>(297,896)</u>
	<u>\$259,845</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, 2015 was \$57,781.

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 equity mutual funds, common stock and a Flexible CD that matures November 8, 2015. They are stated at their fair market value which as of June 30, 2015 was \$333,378. Earnings for the period amounted to \$2,128 and unrealized gains (losses) for the period on these investments totaled \$(4,076). Permanently restricted funds of \$70,000 have been invested in a Flexible CD. Board designated funds in the amount of \$51,235 have been invested in mutual funds and common stock. Investment expenses totaled \$363.20 at June 30, 2015.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, there was a balance of \$37,700 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 \$23,202.

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, 2015, 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, 2015

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, 2015, these monies were invested in a Flexible CD.

16. **Concentration of Revenue**

The organization receives approximately 52.1% 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, 2015, advertising costs totaled \$106,120 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, 2015

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, 2015, NESEA had expended \$42,159 towards the purpose of the grant. At June 30, 2015, \$82,841 in unexpended funds remained to be used in future periods.

20. **Evaluation of Subsequent Events**

NESEA has evaluated subsequent events through May 16, 2016, the date upon which the financial statements were available to be issued.