

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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Independent Auditor's Report

July 2, 2018

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, 2017, 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, 2017, 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 cursive script that reads "Gillian R. Rosner CPA". The signature is written in dark ink and is positioned above the printed name and title.

Gillian R. Rosner
Certified Public Accountant

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

ASSETS

Cash	\$ 73,623
Receivables	129,566
Short term investments	134,701
Prepaid expenses	192
Property and equipment	<u>238,712</u>
Total Assets	\$ <u>576,794</u>

LIABILITIES

Accounts payable	\$ 59,119
Accrued payroll	7,142
Accrued paid time off	27,023
Accrued and withheld payroll taxes	4,321
Unexpected Grant Funds	5,000
Unearned revenue	131,221
Line of credit	<u>198,390</u>
Total Liabilities	432,216

NET ASSETS

Unrestricted	
Operating	(257,189)
Board designated	48,247
Fixed assets	<u>238,712</u>
Total unrestricted	<u>29,770</u>
Temporarily restricted	44,808
Permanently restricted	70,000
Total Net Assets	<u>144,578</u>
Total Liabilities and Net Assets	\$ <u>576,794</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

SUPPORT, REVENUE & RECLASSIFICATIONS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions and grants	\$ 38,249	36,286		74,535
Memberships	255,258			255,258
Sponsorships		243,765		243,765
Advertising				
Registrations	377,778			377,778
Booth rental	282,635			282,635
Other revenue	33,796			33,796
Investment income	12,495			12,495
Unrealized gains (losses)	2,595			2,595
Net assets released from restrictions	<u>266,718</u>	<u>(266,718)</u>		<u>-</u>
Total Support, Revenue and Reclassifications	1,269,524	13,333		1,282,857
EXPENSES				
Program Services				
Buildings and renewables	791,094			791,094
Member services	90,431			90,431
Total Program Services	<u>881,525</u>	<u>-</u>		<u>881,525</u>
Support Services				
Development	47,838	3,948		51,786
Administration	466,288			466,288
Total Support Services	<u>518,074</u>			<u>518,074</u>
Total Expenses	<u>1,399,599</u>	<u>3,948</u>		<u>1,399,599</u>
CHANGE IN NET ASSETS	(126,127)	9,385		(116,742)
NET ASSETS, BEGINNING OF YEAR	<u>155,897</u>	<u>35,423</u>	<u>70,000</u>	<u>261,320</u>
NET ASSETS, END OF YEAR	<u>\$ 29,770</u>	<u>44,808</u>	<u>70,000</u>	<u>144,578</u>

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	<u>PROGRAM SERVICES</u>		
	<u>Buildings/ Renewables</u>	<u>Member Services</u>	<u>FY 17 TOTAL</u>
Payroll	\$ 262,904	68,563	331,467
Employee Benefits	3,578	933	4,511
Payroll taxes	<u>39,561</u>	<u>9,718</u>	<u>49,279</u>
Total	306,043	79,214	385,257
Advertising	4,617		4,617
Casual labor	1,200		1,200
Food	143,592	890	144,482
Consultants			
Computer/Website	288		288
Public relations	78,769	218	78,987
Dues and fees	45,693	5,879	51,572
Equipment rental	32,275	229	32,504
Insurance	3,245		3,245
Meeting space	67,372	204	67,576
Miscellaneous	751		751
Postage	3,855	1,230	5,085
Printing	8,582	260	8,842
Prizes and awards	147		147
Security	6,968		6,968
Speaker fees	35,800		35,800
Supplies	1,573	1,070	2,643
Telecommunications	4,592	1,180	5,772
Travel	44,134	57	44,191
Uncollectible Commitments	<u>1,598</u>		<u>1,598</u>
Total Expenses	\$ <u>791,094</u>	<u>90,431</u>	<u>881,525</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Support Services			Total
Total Program	Development	Admin- istration	Support Services	Total Functional Expenses
Services	Development	Admin- istration	Support Services	Total Functional Expenses
Payroll	25,611	256,659	282,270	613,737
Employee Benefits	349	33,031	33,380	37,891
Payroll taxes	3,509	17,621	21,130	70,409
Total	29,469	307,311	336,780	722,037
Advertising		120	120	4,737
Casual labor				1,200
Food	2,642	1,465	4,107	148,589
Professional fees		9,200	9,200	9,200
Consultants				
Computer / website	253	9,950	10,203	10,491
Public relations		19,804	19,804	98,791
Depreciation		59,925	59,925	59,925
Dues and fees	11,048	9,653	20,701	72,273
Equipment rental and repairs	129	3,978	4,107	36,611
Insurance		8,292	8,292	11,537
Interest		7,609	7,609	7,609
Meeting space	3,525		3,525	71,101
Miscellaneous	50	1,044	1,094	1,845
Occupancy		18,597	18,597	18,597
Postage	43	328	371	5,456
Printing and copying	1,934		1,934	10,776
Prizes and awards		68	68	215
Security				6,968
Speaker Fees				35,800
Supplies	166	3,950	4,116	6,759
Telecommunications	671	3,058	3,729	9,501
Travel	1,856	1,936	3,792	47,983
Uncollectible Commitments				1,598
Total Expenses	51,786	466,288	518,074	1,399,599

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$(116,742)
Adjustments to reconcile changes in net assets to net cash from operating activities	
Depreciation	59,925
Unrealized (gains) losses	(2,595)
(Increase) decrease in operating assets	
Receivables	15,594
Prepaid expenses	8,650
Increase (decrease) in operating liabilities	
Accounts payable	47,014
Accrued payroll	(18,763)
Accrued vacation pay	(3,023)
Withheld and accrued payroll tax	977
Unexpended grant funds	5,000
Unearned revenue	2,530
Line of credit	<u>(5,609)</u>
Net Cash Provided (Used) by Operating Activities	(7,042)

CASH FLOWS FROM INVESTING ACTIVITIES

Property and equipment additions	-
Short term investments	49,356
Investment income reinvested, net	<u>(12,495)</u>
Net Cash Provided (Used) by Investing Activities	<u>36,861</u>

NET INCREASE (DECREASE) IN CASH 29,819

CASH AT BEGINNING OF YEAR 43,804

CASH AT END OF YEAR \$ 73,623

SUPPLEMENTAL DATA

Interest paid	\$ 7,609
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SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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. Basis of Reporting

The statements of financial position report net assets classified as unrestricted, temporarily restricted or permanently restricted. Unrestricted net assets result from normal operating activities, gifts and bequests on which the donor has placed no restrictions, and, unless donor-imposed restrictions or state laws preclude, gains and losses on permanently restricted net assets. Temporarily restricted net assets result from gifts and bequests on which the donor has placed restrictions that expire with the passage of time or are fulfilled when specific actions are performed. Permanently restricted net assets result from gifts and bequests with external donor stipulations requiring that those assets be permanently maintained and invested to provide future income.

4. 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.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

5. **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.

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, 2017 are summarized as follows:

Website development	\$172,507
Equipment, furnishings and fixtures	75,830
Building and improvements	<u>322,423</u>
	570,760
Accumulated depreciation	<u>(332,048)</u>
	<u>\$238,712</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, 2017 was \$59,925.

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.

Accounts receivables are stated at the amount NESEA expects to collect from balances outstanding at year-end. Differences between the amount due and the amount the owner expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable. Balances that are still outstanding after NESEA has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

As of June 30, 2017, the company expects virtually all amounts billed for services performed during the year to be fully collectible and therefore there has been no offsetting entry to the accounts receivable valuation allowance account.

8. Short-Term Investments

Investments consist of money market investments and common stock. They are stated at their fair market value which as of June 30, 2017 was \$134,701. Earnings for the period amounted to \$3,119 and unrealized gains (losses) for the period on these investments totaled \$2,595. Permanently restricted funds of \$70,000 and Board designated funds in the amount of \$49,639 have been invested in money markets and common stock. Investment expenses totaled \$1,041 at June 30, 2017.

9. 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.

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

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

input that is significant to the fair value measurement. However, the determination of what constitutes observable requires significant judgment 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.

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, 2017.

10. **Fair Value Measurements**

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

	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Security	\$ 117,402			\$ 117,402
Money Market	<u>17,299</u>			<u>17,299</u>
Total investments at fair value	<u>\$ 134,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>134,701</u>

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

11. 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.

12. 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, 2017, there was a balance of \$198,390 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 3.75%.

13. 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 after 5 years at 20 percent vesting per year. Voluntary contributions made by eligible employees during the current period amounted to \$18,145.

14. 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, 2017, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

15. 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, 2017

16. 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.

17. 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.

18. Temporarily Restricted Funds

The organization presently has \$44,808 in the Kate Goldstein Fund which is temporarily restricted by the donors. The fund was established to fund conference registrations and memberships for emerging professionals and students. The benefits distributed from the fund are income based.

19. 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, 2017, these monies were invested in equity securities and money markets.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

20. Concentration of Revenue

The organization receives approximately 45.2% of its annual revenues from the Boston Building and Energy Conference held each year in April. The organization also receives approximately 18.7% of its annual revenues from the New York Building & Energy Conference held each year in October.

21. Development

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

22. 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, 2017, advertising costs totaled \$83,604 and are reflected as "Public Relations" and "Advertising" in the Statement of Functional Expenses.

23. Open Tax Years

NESEA has not filed the IRS form 990 or Massachusetts Form PC for the year ended June 30, 2017 as of the report date of July 2, 2018. All years prior to 2016 have been properly filed and accepted by the IRS. The company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

24. Evaluation of Subsequent Events

NESEA has evaluated subsequent events through July 2, 2018, the date upon which the financial statements were available to be issued. NESEA is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

25. Predecessor Auditor

Beginning balances for the audited year ending June 30, 2017 were derived from the audited financial statements of NESEA for the fiscal year ending June 30, 2016 audited by Edward L. Margola, a predecessor auditor, with the report date of May 23, 2017. The analyses of beginning balances showed no material misstatement and have been used as such.