

North Carolina Sustainable Energy Association

Report on Audit of Financial Statements

for the years ended June 30, 2019 and 2018

MPCCompany LLP

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C O N T E N T S

Independent Auditors' Report	<u>Page(s)</u> 1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-12



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Independent Auditors' Report

Board of Directors
North Carolina Sustainable Energy Association

We have audited the accompanying financial statements of North Carolina Sustainable Energy Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and changes in net assets and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 auditors' judgment, 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Carolina Sustainable Energy Association as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MPC Company LLP
October 10, 2019

North Carolina Sustainable Energy Association
Statements of Financial Position
June 30, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 1,031,540	\$ 1,380,110
Certificates of deposit	11,616	11,428
Accounts receivable	106,756	34,446
Grants receivable	123,333	100,000
Sales tax receivable	3,682	2,717
Prepaid expenses	24,434	13,094
Total current assets	<u>1,301,361</u>	<u>1,541,795</u>
Property and equipment:		
Office equipment	56,221	48,351
Office furniture	93,929	93,929
Leasehold improvements	49,515	49,515
Software	16,138	17,207
	<u>215,803</u>	<u>209,002</u>
Less: accumulated depreciation and amortization	<u>(152,508)</u>	<u>(121,793)</u>
Total property and equipment, net	<u>63,295</u>	<u>87,209</u>
Noncurrent portion of grants receivable, net	<u>161,797</u>	<u>-</u>
Security deposit	<u>12,129</u>	<u>12,129</u>
Total assets	<u>\$ 1,538,582</u>	<u>\$ 1,641,133</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 67,836	\$ 53,340
Accrued vacation	42,488	38,668
Payroll taxes payable	16,987	15,669
Deferred member dues	67,629	55,023
Total current liabilities	<u>194,940</u>	<u>162,700</u>
Noncurrent liability - deferred lease liability	<u>20,133</u>	<u>39,754</u>
Total liabilities	<u>215,073</u>	<u>202,454</u>
Net assets:		
Without donor restrictions	947,664	1,083,432
With donor restrictions	375,845	355,247
Total net assets	<u>1,323,509</u>	<u>1,438,679</u>
Total liabilities and net assets	<u>\$ 1,538,582</u>	<u>\$ 1,641,133</u>

The accompanying notes are an integral
part of the financial statements.

North Carolina Sustainable Energy Association
Statements of Activities and Changes in Net Assets
for the years ended June 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 1,279,971	\$ -	\$ 1,279,971
Grants	66,000	685,130	751,130
Indirect public support	320,778	-	320,778
Membership dues	133,444	-	133,444
Miscellaneous	101	-	101
Sponsorship	5,300	-	5,300
Program service fees	110,807	-	110,807
Interest income	8,337	-	8,337
Total revenues and other support	<u>1,924,738</u>	<u>685,130</u>	<u>2,609,868</u>
Net assets released from restrictions	<u>664,532</u>	<u>(664,532)</u>	<u>-</u>
Expenses and losses:			
Expenses:			
Program services	2,161,757	-	2,161,757
Supporting services:			
Management and general	454,980	-	454,980
Fundraising	108,301	-	108,301
Total expenses	<u>2,725,038</u>	<u>-</u>	<u>2,725,038</u>
Loss on disposal of assets	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses and losses	<u>2,725,038</u>	<u>-</u>	<u>2,725,038</u>
Changes in net assets	(135,768)	20,598	(115,170)
Net assets at beginning of year	<u>1,083,432</u>	<u>355,247</u>	<u>1,438,679</u>
Net assets at end of year	\$ <u>947,664</u>	\$ <u>375,845</u>	\$ <u>1,323,509</u>

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part of the financial statements.

2018

Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,134,821	\$ -	\$ 1,134,821
48,000	550,000	598,000
330,854	-	330,854
129,606	-	129,606
370	-	370
15,875	-	15,875
114,295	-	114,295
4,301	-	4,301
<u>1,778,122</u>	<u>550,000</u>	<u>2,328,122</u>
<u>380,842</u>	<u>(380,842)</u>	<u>-</u>
1,822,673	-	1,822,673
410,840	-	410,840
<u>68,366</u>	<u>-</u>	<u>68,366</u>
2,301,879	-	2,301,879
<u>1,027</u>	<u>-</u>	<u>1,027</u>
<u>2,302,906</u>	<u>-</u>	<u>2,302,906</u>
(143,942)	169,158	25,216
<u>1,227,374</u>	<u>186,089</u>	<u>1,413,463</u>
\$ <u>1,083,432</u>	\$ <u>355,247</u>	\$ <u>1,438,679</u>

North Carolina Sustainable Energy Association
Statements of Functional Expenses
for the years ended June 30, 2019 and 2018

	2019			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Wages	\$ 1,078,999	\$ 169,671	\$ 102,227	\$ 1,350,897
Payroll taxes	82,796	16,491	5,175	104,462
Employee benefits	76,926	40,091	776	117,793
Staff development	4,506	-	-	4,506
Membership dues	7,074	2,559	-	9,633
Professional services	95,034	100,847	-	195,881
Consultants	438,788	102	-	438,890
Lobbying	125,959	-	-	125,959
Meetings	83,111	233	-	83,344
Travel	20,078	985	123	21,186
Occupancy	90,476	58,756	-	149,232
Computer services	20,247	10,772	-	31,019
Office supplies	12,803	5,383	-	18,186
Depreciation and amortization	-	31,784	-	31,784
Printing	6,682	471	-	7,153
Telephone	14,475	2,911	-	17,386
Bank charges	-	5,462	-	5,462
Insurance	-	7,964	-	7,964
Meeting sponsorship	2,500	-	-	2,500
Postage	1,303	498	-	1,801
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>2,161,757</u>	\$ <u>454,980</u>	\$ <u>108,301</u>	\$ <u>2,725,038</u>

The accompanying notes are an integral
part of the financial statements.

2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
\$	999,296	\$ 149,357	\$ 51,954	\$ 1,200,607
	69,088	13,818	9,212	92,118
	71,012	17,566	5,284	93,862
	11,312	-	-	11,312
	6,215	2,439	-	8,654
	56,310	106,129	-	162,439
	242,098	375	-	242,473
	121,995	-	-	121,995
	60,657	269	-	60,926
	24,440	1,194	54	25,688
	109,329	36,108	-	145,437
	20,172	24,925	-	45,097
	14,324	9,222	-	23,546
	-	27,741	-	27,741
	3,989	1,692	1,413	7,094
	10,894	5,402	449	16,745
	-	6,507	-	6,507
	-	7,964	-	7,964
	-	-	-	-
	<u>1,542</u>	<u>132</u>	<u>-</u>	<u>1,674</u>
\$	<u>1,822,673</u>	\$ <u>410,840</u>	\$ <u>68,366</u>	\$ <u>2,301,879</u>

North Carolina Sustainable Energy Association
Statements of Cash Flows
for the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities:		
Changes in net assets	\$ (115,170)	\$ 25,216
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	31,388	27,167
Amortization	396	574
Change in discount on grants receivable	4,870	-
Loss on disposal of property and equipment	-	1,027
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(72,310)	(1,398)
Grants receivable	(190,000)	-
Sales tax receivable	(965)	(1,651)
Prepaid expenses	(11,340)	(7,237)
Increase (decrease) in liabilities:		
Accounts payable	14,496	5,924
Accrued vacation	3,820	(1,497)
Payroll taxes payable	1,318	(477)
Deferred member dues	12,606	(12,821)
Deferred lease liability	(19,621)	(14,896)
Net cash provided by (used in) operating activities	<u>(340,512)</u>	<u>19,931</u>
Investing activities:		
Sales (purchases) of certificates of deposits, net	(188)	(133)
Capital expenditures for property and equipment	<u>(7,870)</u>	<u>(13,249)</u>
Net cash used in investing activities	<u>(8,058)</u>	<u>(13,382)</u>
Net increase (decrease) in cash and cash equivalents	(348,570)	6,549
Cash and cash equivalents, beginning of year	<u>1,380,110</u>	<u>1,373,561</u>
Cash and cash equivalents, end of year	\$ <u>1,031,540</u>	\$ <u>1,380,110</u>

The accompanying notes are an integral
part of the financial statements.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

North Carolina Sustainable Energy Association (NCSEA) is the leading non-profit organization dedicated to driving public policy and market development that creates clean energy jobs, economic opportunities and affordable energy to benefit all of North Carolina. NCSEA was incorporated in 1978 and is located in Raleigh, North Carolina and is active throughout the state.

NCSEA works to transform the North Carolina and Southeast energy system through leading edge proof of concept work and deep policy advocacy, with a primary focus on constructive promotion of ten clean energy technology sectors: alternative fuel vehicles (primarily electric vehicles), biogas, energy efficiency, energy storage, fuel cells, geothermal, hydropower/marine, smart grid, solar, and wind. NCSEA is active and leading in many areas, including regulatory modernization and rate design, utility and industry business model transformation, de-politicizing clean energy issues and driving bipartisan policy dialogue on energy interests, demonstrating approaches that improve energy equity, increasing deployment of utility scale renewables and distributed energy resources and grid infrastructure solutions, and bringing expanded base of stakeholders together to align on clean energy vision, outcomes, and pathways to success.

Together with NCSEA members and partners, we engage stakeholders on the premise that there is greater value to be realized by all when we dialogue on shared definition of our complex energy challenges, and then rolling up our sleeves with utilities, industry, consumers and government to develop and implement solutions - in both proof and policy - to resolve our complex energy challenges.

We measure NCSEA's aggregate impact through:

- More affordable consumer bills
- Job growth
- Amount of clean energy capacity deployed in the market by industry, consumers, and utilities
- Amount of energy demand reduced and energy costs avoided
- Increased bipartisan support for incrementally transforming the energy system
- Declining pollution from and waste throughout our energy systems and markets
- Improved energy equity
- Improved quality of life and business climate
- Expanded economic development opportunities and local tax base expansion
- Growing NC and southeast market exports of clean energy products and services

Over time, NCSEA continues to improve the lives and standards of living for all North Carolinians by enabling systemic transformation of energy policy, markets and systems, gradually making all energy sources and services clean, affordable, resilient, and secure. NCSEA's strategy of gradualism achieves mutually beneficial policy and market changes that advance this vision and - because of growing and shared benefit - are more likely to be built upon than reversed. We also look to help similarly situated states learn from and use the tools, solutions and collaborative strategies we have developed in North Carolina, and invite those with new ideas to try them with and through NCSEA.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and in accordance with the principles contained in the audit and accounting guide, *Not-for-Profit Entities*, published by the American Institute of Certified Public Accounts.

Cash and Cash Equivalents

For purposes of the statements of cash flows, NCSEA considers all investments with original maturity of 90 days or less to be cash equivalents. At June 30, 2019 and 2018, there were cash deposits of \$757 and \$0, respectively, in excess of amounts insured by the Federal Deposit Insurance Corporation.

Receivables

All receivables are stated at the amount management expects to collect from outstanding balances. Based on experience, management believes that they are fully collectible. Therefore, no allowance for doubtful accounts has been recorded. In the event that an outstanding balance could not be collected, it would be written down with a charge against bad debt expense and a credit to the receivables balance. Past due status is determined based on contractual terms.

Receivables that are expected to be collected within one year are recorded at net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using interest rates applicable to the years in which the contributions are unconditionally committed.

Property and Equipment

Property and equipment consists of office furniture and equipment, leasehold improvements and software. NCSEA capitalizes all capital expenditures in excess of \$1,000 and with a useful life of more than one year. Capital expenditures in accordance with grants are charged directly to the grant and recorded as grant expenditures in the year of acquisition. Donated leasehold improvements and equipment are stated at cost or estimated fair value at the date of donation. Depreciation and amortization are provided over the estimated useful lives of the respective assets using the straight-line method.

The estimated useful lives range as follows:

<u>Description</u>	<u>Useful Life</u>
Office equipment	5 to 10 years
Office furniture	7 to 10 years
Leasehold improvements	5 years
Software	3 years

Depreciation expense was \$31,388 and \$27,167 for the years ended June 30, 2019 and 2018, respectively. Amortization expense was \$396 and \$574 for the years ended June 30, 2019 and 2018, respectively.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Vacation

Each employee is awarded 160 hours of paid time off at the beginning of the calendar year. They can carry over up to 80 hours to the next calendar year. Employees who are terminated receive a severance package that includes compensation for any unused paid time off hours. As of June 30, 2019 and 2018, the estimated liability of unused paid time off is \$42,488 and \$38,668.

Net Assets

Net assets, revenues, and other support are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue from Membership Dues

Revenue from member dues are recognized in the year for which the dues are earned. Dues received prior to year-end for the upcoming dues year are reported as deferred member dues.

Restricted Revenues Policy

Restricted grants and contributions are reported as without donor restriction support if the restrictions are met in the same reporting period that the grant or contribution is received. NCSEA has a similar policy for reporting donor-restricted investment income and gains.

Donated Services

No amounts have been reflected in the financial statements for donated services. NCSEA pays for most services requiring specialized expertise. However, individuals volunteer their time and perform a variety of tasks that further the activities of NCSEA through specific assistance with programs, general operations, and various committee assignments.

Retirement Plan

NCSEA sponsors a 403(b) plan under which eligible employees may choose to contribute up to the maximum allowable amount under the Internal Revenue Code. NCSEA may elect to make a discretionary contribution to the plan. For the years ended June 30, 2019 and 2018, the discretionary contribution was \$10,813 and \$10,125, respectively.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

NCSEA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from North Carolina income taxes, accordingly, no income taxes have been provided in the accompanying financial statements.

Use of Estimates

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

Expense Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

NCSEA has evaluated events and transactions that occurred between June 30, 2019 and October 10, 2019 which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,031,540	\$ 1,380,110
Certificates of deposit	11,616	11,428
Accounts receivable	106,756	34,446
Grants receivable	285,130	100,000
Sales tax receivable	<u>3,682</u>	<u>2,717</u>
Total financial assets	1,438,724	1,528,701
Less amounts not available for general expenditures within one year:		
Restricted by time	(161,797)	-
Restricted for clean energy program	<u>(130,715)</u>	<u>(255,247)</u>
Total financial assets available to meet general expenditures within one year	\$ <u>1,146,212</u>	\$ <u>1,273,454</u>

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2019 and 2018

2. LIQUIDITY AND AVAILABILITY (Continued)

The Foundation is substantially supported by program revenues. As part of the NCSEA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. NCSEA is also supported by restricted contributions. Because a donor or grantor's restriction requires resources to be used in a particular manner or in a future period, NCSEA must maintain sufficient resource to meet those responsibilities to its donor or grantor. Thus, financial assets may not be available for general expenditures within one year.

3. GRANTS RECEIVABLE

Grants receivable are estimated to be collected as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 123,333	\$ 100,000
In one to five years	<u>166,667</u>	<u>-</u>
	290,000	100,000
Less discount to net present value at 2%	<u>(4,870)</u>	<u>-</u>
	<u>\$ 285,130</u>	<u>\$ 100,000</u>

4. LINE OF CREDIT

NCSEA has a \$3,000 line of credit which was unused at June 30, 2019 and 2018. NCSEA did not draw on the line of credit during the years ended June 30, 2019 and 2018. Bank advances on the credit line are payable on demand and carry a fixed interest rate of 17.90%.

5. OPERATING LEASES

NCSEA has a non-cancelable lease arrangement for its office facility. The arrangement contains a rent escalation clause and covers the period through April 30, 2020 with an option to renew for five additional years at the then current market rental rates. NCSEA also has a long term non-cancelable operating lease for office equipment requiring monthly payments of \$359 and expiring in 2022.

FASB ASC 840, *Leases*, requires that rental expense be recognized on a straight-line basis. As such, rental payments in excess of rental expense of \$19,621 and \$14,896 have been reflected in the accompanying statement of activities for the years ended June 30, 2019 and 2018, respectively. Deferred rent is \$20,133 and \$39,754, respectively, at June 30, 2019 and 2018.

Future minimum lease payments under these non-cancelable lease agreements at June 30, 2019 are as follows:

2020	\$ 143,280
2021	4,308
2022	<u>3,590</u>
Total	<u>\$ 151,178</u>

Rental expense under these leases was \$148,376 and \$145,337 for the years ended June 30, 2019 and 2018, respectively.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2019 and 2018

6. NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets are available as follows at June 30:

	<u>2019</u>	<u>2018</u>
Purpose restrictions:		
Clean energy	\$ 130,715	\$ 255,247
Time Restrictions:		
Contributions	<u>245,130</u>	<u>100,000</u>
	<u>\$ 375,845</u>	<u>\$ 355,247</u>

7. CONCENTRATIONS

NCSEA received approximately 71% and 76% of its support from two foundations and one contributor for the years ended June 30, 2019 and 2018, respectively. If a significant reduction in the level of this support were to occur, the result may have a significant effect on NCSEA's programs and activities.

Approximately 100% of the Organization's receivables were due from two foundations and one contributor at June 30, 2019. Approximately and 87% of the Organization's receivables were due from two contributing organizations at June 30, 2018.

Approximately 60% and 61% of the Organization's payables were due to four vendors at June 30, 2019 and 2018, respectively.

8. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.