

North Carolina Sustainable Energy Association

Report on Audit of Financial Statements

for the years ended June 30, 2020 and 2019

MPCompany LLP

Certified Public Accountants
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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, 2020 and 2019, and the related statements of activities, functional expenses, 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, 2020 and 2019, 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 19, 2020

North Carolina Sustainable Energy Association
 Statements of Financial Position
 June 30, 2020 and 2019

	<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:			
Cash and cash equivalents		\$ 1,311,196	\$ 1,031,540
Certificates of deposit		11,837	11,616
Accounts receivable		55,194	106,756
Grants receivable		90,000	123,333
Sales tax receivable		3,195	3,682
Prepaid expenses		<u>8,278</u>	<u>24,434</u>
Total current assets		<u>1,479,700</u>	<u>1,301,361</u>
Property and equipment:			
Office equipment		64,056	56,221
Office furniture		105,621	93,929
Leasehold improvements		49,515	49,515
Software		<u>16,138</u>	<u>16,138</u>
		235,330	215,803
Less: accumulated depreciation and amortization		<u>(177,099)</u>	<u>(152,508)</u>
Total property and equipment, net		<u>58,231</u>	<u>63,295</u>
Noncurrent portion of grants receivable, net		<u>68,627</u>	<u>161,797</u>
Security deposit		<u>-</u>	<u>12,129</u>
Total assets		<u>\$ 1,606,558</u>	<u>\$ 1,538,582</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable		\$ 53,328	\$ 67,836
Accrued vacation		69,477	42,488
Payroll taxes payable		17,513	16,987
Deferred member dues		<u>62,658</u>	<u>67,629</u>
Total current liabilities		<u>202,976</u>	<u>194,940</u>
Noncurrent liability - deferred lease liability		<u>14,892</u>	<u>20,133</u>
Total liabilities		<u>217,868</u>	<u>215,073</u>
Net assets:			
Without donor restrictions		1,122,659	947,664
With donor restrictions		<u>266,031</u>	<u>375,845</u>
Total net assets		<u>1,388,690</u>	<u>1,323,509</u>
Total liabilities and net assets		<u>\$ 1,606,558</u>	<u>\$ 1,538,582</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, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 1,129,294	\$ -	\$ 1,129,294
Grants	48,497	310,000	358,497
Indirect public support	291,034	-	291,034
Membership dues	119,546	-	119,546
Miscellaneous	697	-	697
Sponsorship	26,550	-	26,550
Program service fees	117,155	-	117,155
Paycheck Protection Program	287,800	-	287,800
Interest income	<u>7,528</u>	-	<u>7,528</u>
Total revenues and other support	<u>2,028,101</u>	<u>310,000</u>	<u>2,338,101</u>
Net assets released from restrictions	<u>419,814</u>	<u>(419,814)</u>	<u>-</u>
Expenses and losses:			
Expenses:			
Program services	1,739,256	-	1,739,256
Supporting services:			
Management and general	456,331	-	456,331
Fundraising	<u>76,333</u>	-	<u>76,333</u>
Total expenses	2,271,920	-	2,271,920
Loss on disposal of assets	<u>1,000</u>	-	<u>1,000</u>
Total expenses and losses	<u>2,272,920</u>	<u>-</u>	<u>2,272,920</u>
Changes in net assets	174,995	(109,814)	65,181
Net assets at beginning of year	<u>947,664</u>	<u>375,845</u>	<u>1,323,509</u>
Net assets at end of year	\$ <u>1,122,659</u>	\$ <u>266,031</u>	\$ <u>1,388,690</u>

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

2019

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 1,279,971	\$ -	\$ 1,279,971
66,000	685,130	751,130
320,778	-	320,778
133,444	-	133,444
101	-	101
5,300	-	5,300
110,807	-	110,807
-	-	-
<u>8,337</u>	<u>-</u>	<u>8,337</u>
<u>1,924,738</u>	<u>685,130</u>	<u>2,609,868</u>
<u>664,532</u>	<u>(664,532)</u>	<u>-</u>
2,161,757	-	2,161,757
454,980	-	454,980
<u>108,301</u>	<u>-</u>	<u>108,301</u>
2,725,038	-	2,725,038
<u>-</u>	<u>-</u>	<u>-</u>
<u>2,725,038</u>	<u>-</u>	<u>2,725,038</u>
(135,768)	20,598	(115,170)
<u>1,083,432</u>	<u>355,247</u>	<u>1,438,679</u>
\$ <u>947,664</u>	\$ <u>375,845</u>	\$ <u>1,323,509</u>

North Carolina Sustainable Energy Association
 Statements of Functional Expenses
 for the years ended June 30, 2020 and 2019

	2020			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Wages and payroll taxes	\$ 1,046,559	\$ 238,942	\$ 64,333	\$ 1,349,834
Employee benefits	89,903	24,228	12,000	126,131
Contract services	369,170	71,684	-	440,854
Operations	138,015	77,000	-	215,015
Conferences, meetings, events	48,594	-	-	48,594
Depreciation and amortization	-	28,304	-	28,304
Travel	23,941	926	-	24,867
Association expenses	14,262	2,136	-	16,398
Professional development	8,812	365	-	9,177
Insurance	-	8,242	-	8,242
Bank charges	-	4,504	-	4,504
Total	\$ 1,739,256	\$ 456,331	\$ 76,333	\$ 2,271,920

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

2019

<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
\$ 1,161,795	\$ 186,161	\$ 107,402	\$ 1,455,358
76,926	40,090	776	117,792
665,360	111,721	-	777,081
140,406	68,022	-	208,428
68,928	127	-	69,055
-	31,784	-	31,784
34,262	1,091	123	35,476
9,574	2,559	-	12,133
4,506	-	-	4,506
-	7,963	-	7,963
-	5,462	-	5,462
<u>\$ 2,161,757</u>	<u>\$ 454,980</u>	<u>\$ 108,301</u>	<u>\$ 2,725,038</u>

North Carolina Sustainable Energy Association
 Statements of Cash Flows
 for the years ended June 30, 2020 and 2019

	2020	2019
Operating activities:		
Changes in net assets	\$ 65,181	\$ (115,170)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	28,304	31,388
Amortization	-	396
Change in discount on grants receivable	(3,497)	4,870
Loss on disposal of property and equipment	1,000	-
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	51,562	(72,310)
Grants receivable	130,000	(190,000)
Sales tax receivable	487	(965)
Prepaid expenses	16,156	(11,340)
Security deposit	12,129	-
Increase (decrease) in liabilities:		
Accounts payable	(16,216)	14,496
Accrued vacation	26,989	3,820
Payroll taxes payable	526	1,318
Deferred member dues	(4,971)	12,606
Deferred lease liability	(5,241)	(19,621)
Net cash provided by (used in) operating activities	302,409	(340,512)
Investing activities:		
Sales (purchases) of certificates of deposits, net	(221)	(188)
Capital expenditures for property and equipment	(22,532)	(7,870)
Net cash used in investing activities	(22,753)	(8,058)
Net increase (decrease) in cash and cash equivalents	279,656	(348,570)
Cash and cash equivalents, beginning of year	1,031,540	1,380,110
Cash and cash equivalents, end of year	\$ <u>1,311,196</u>	\$ <u>1,031,540</u>
Supplemental disclosure of non-cash investing and financing activity		
Accounts payable for property and equipment	\$ <u>1,708</u>	\$ <u>-</u>

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

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019, there were cash deposits of \$63,409 and \$757, 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 \$28,304 and \$31,388 for the years ended June 30, 2020 and 2019, respectively. Amortization expense was \$0 and \$396 for the years ended June 30, 2020 and 2019, respectively.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, the estimated liability of unused paid time off is \$69,477 and \$42,488.

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 Recognition

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.

Contribution revenue is recognized when an unconditional promise to give is received. The Organization recognizes conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - when the conditions stipulated by the donor are substantially met.

NCSEA has adopted Accounting Standards Update (ASU) No. 2018-08 - *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Analysis of various provisions of this standard resulted in no significant changes in the way NCSEA recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis

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.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019, the discretionary contribution was \$10,200 and \$10,813, respectively.

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

For the year-ended June 30, 2020, the Plan Sponsor evaluated subsequent events for potential recognition and disclosure through October 19, 2020, the date of financial statement issuance.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2020 and 2019

2. LIQUIDITY AND AVAILABILITY

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,311,196	\$ 1,031,540
Certificates of deposit	11,837	11,616
Accounts receivable	55,194	106,756
Grants receivable	158,627	285,130
Sales tax receivable	<u>3,195</u>	<u>3,682</u>
Total financial assets	1,540,049	1,438,724
Less amounts not available for general expenditures within one year:		
Restricted by time	(68,627)	(161,797)
Restricted for clean energy program	<u>(107,404)</u>	<u>(130,715)</u>
Total financial assets available to meet general expenditures within one year	\$ <u>1,364,018</u>	\$ <u>1,146,212</u>

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 90,000	\$ 123,333
In one to five years	<u>70,000</u>	<u>166,667</u>
	160,000	290,000
Less discount to net present value at 2%	<u>(1,373)</u>	<u>(4,870)</u>
	\$ <u>158,627</u>	\$ <u>285,130</u>

4. LINE OF CREDIT

NCSEA has a \$3,000 line of credit which was unused at June 30, 2019 and was closed in March 2020. NCSEA did not draw on the line of credit during the years ended June 30, 2020 and 2019. Bank advances on the credit line were payable on demand and carried a fixed interest rate of 17.90%.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2020 and 2019

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 current market rental rates. This option was exercised in November 2019 and covers the period through April 30, 2025. 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 expense in excess of rental payments of \$1,373 and rental payments in excess of rental expense of \$19,621 have been reflected in the accompanying statement of activities for the years ended June 30, 2020 and 2019, respectively. Deferred rent is \$14,892 and \$20,133, respectively, at June 30, 2020 and 2019.

Future minimum lease payments under these non-cancelable lease agreements at June 30, 2020 are as follows:

2021	\$ 182,196
2022	186,815
2023	188,721
2024	194,383
2025	<u>166,015</u>
Total	<u>\$ 918,130</u>

Rental expense under these leases was \$155,266 and \$148,376 for the years ended June 30, 2020 and 2019, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets are available as follows at June 30:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Clean energy	\$ 107,404	\$ 130,715
Time Restrictions:		
Contributions	<u>158,627</u>	<u>245,130</u>
	<u>\$ 266,031</u>	<u>\$ 375,845</u>

7. PAYCHECK PROTECTION PROGRAM

On April 16, 2020, NCSEA received loan proceeds in the amount of \$287,800 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2020 and 2019

7. PAYCHECK PROTECTION PROGRAM (Continued)

NCSEA has concluded that the PPP loan represents a grant that is expected to be forgiven and therefore has accounted for the loan in accordance with FASB ASC 958-905 as a conditional contribution. NCSEA has also concluded that all conditions related to loan forgiveness have been met as of June 30, 2020 and, therefore, has recognized a contribution from the Paycheck Protection Program for the full amount received of \$287,800.

8. CONCENTRATIONS

NCSEA received approximately 73% and 72% of its support from one foundation and two contributors for the years ended June 30, 2020 and 2019, 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 73% of the Organization's receivables were due from two contributing foundations at June 30, 2020. Approximately 100% of the Organization's receivables were due from two contributing foundations and one contributor at June 30, 2019.

Approximately 77% and 60% of the Organization's payables were due to four vendors at June 30, 2020 and 2019, respectively.

9. 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.