

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	Page No.
Independent Auditor's Report.....	2
 Financial Statements	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5-6
Statement of Cash Flows.....	7
 Notes to Financial Statements.....	 8-12

EDWARD L. MARGOLA
Certified Public Accountant

November 23, 2012

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

Independent Auditor's Report

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

I have audited the accompanying statements of financial position of Northeast Sustainable Energy Association, Inc. (a non-profit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Northeast Sustainable Energy Association, Inc.'s management. My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Sustainable Energy Association, Inc. as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Edward L. Margola
Certified Public Accountant

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

Cash	\$	4,863
Receivables		29,273
Short term investments		331,192
Property and equipment		<u>134,596</u>
Total Assets	\$	<u>499,924</u>

LIABILITIES

Accounts payable	\$	10,407
Accrued payroll		5,494
Accrued vacation pay		10,153
Accrued and withheld payroll taxes		2,840
Unearned revenue		<u>71,635</u>
Total Liabilities		100,529

NET ASSETS

Unrestricted		
Operating		164,334
Board designated		30,465
Fixed assets		<u>134,596</u>
Total unrestricted		329,395
Permanently restricted		<u>70,000</u>
Total Net Assets		<u>399,395</u>
Total Liabilities and Net Assets	\$	<u>499,924</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

SUPPORT, REVENUE AND RECLASSIFICATIONS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions	\$ 34,402			34,402
Memberships	85,306			85,306
Sponsorships		148,899		148,899
Advertising		44,869		44,869
Registrations	336,490			336,490
Booth rental	238,600			238,600
Other revenue	16,080			16,080
Investment income	2,196			2,196
Unrealized gains (losses)	(7,849)			(7,849)
Net assets released from restrictions	<u>193,768</u>	<u>(193,768)</u>		<u>-</u>
Total Support, Revenue and Reclassifications	898,993	-		898,993
EXPENSES				
Program Services				
Buildings and renewables	542,581			542,581
Member services	<u>166,807</u>			<u>166,807</u>
Total Program Services	709,388	-		709,388
Support Services				
Development	64,750			64,750
Administration	<u>372,602</u>			<u>372,602</u>
Total Support Services	<u>437,352</u>			<u>437,352</u>
Total Expenses	<u>1,146,740</u>			<u>1,146,740</u>
CHANGE IN NET ASSETS	(247,747)	-		(247,747)
NET ASSETS, BEGINNING OF YEAR	<u>577,142</u>	-	70,000	<u>647,143</u>
NET ASSETS, END OF YEAR	<u>\$ 329,395</u>	-	<u>70,000</u>	<u>399,395</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

	<u>Buildings/ Renewables</u>	<u>Member Services</u>	<u>TOTAL</u>
Payroll	\$ 174,979	73,953	248,932
Employee benefits	21,706	8,999	30,705
Payroll taxes	<u>18,564</u>	<u>9,580</u>	<u>28,144</u>
Total	215,249	92,532	307,781
Advertising	3,360		3,360
Casual labor	3,470	86	3,556
Food	80,670	4,552	85,222
Consultants			
Public relations	35,771	28,479	64,250
Dues and fees	19,855	8,878	28,733
Equipment rental	64,350		64,350
Meeting space	14,000	144	14,144
Miscellaneous	690		690
Postage	24,004	3,575	27,579
Printing	19,339	23,424	42,763
Prizes and awards	10,000		10,000
Security	4,200		4,200
Speaker fees	14,736		14,736
Supplies	3,373	1,310	4,683
Telecommunications	6,619	2,620	9,239
Travel	<u>22,895</u>	<u>1,207</u>	<u>24,102</u>
Total Expenses	\$ <u>542,581</u>	<u>166,807</u>	<u>709,388</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	<u>Total Program Services</u>	<u>Support Development</u>	<u>Support Services Admin- istration</u>	<u>Total Support Services</u>	<u>Total Functional Expenses</u>
Payroll	\$ 248,932	29,279	126,219	155,498	404,430
Employee benefits	30,705	1,143	22,780	23,923	54,628
Payroll taxes	28,144	3,687	13,176	16,863	45,007
Total	<u>307,781</u>	<u>34,109</u>	<u>162,175</u>	<u>196,284</u>	<u>504,065</u>
Abandoned website			133,412	133,412	133,412
Advertising	3,360		5	5	3,365
Casual labor	3,556				3,556
Food	85,222	1,100	21	1,121	86,343
Professional fees			8,983	8,983	8,983
Consultants					
Computer		83	8,525	8,608	8,608
Public relations	64,250	7,520	1,418	8,938	73,188
Other	4,200	10,000	9,793	19,793	23,993
Depreciation			12,158	12,158	12,158
Dues and fees	28,733	320	2,076	2,396	31,129
Equipment rental and repairs	64,350		2,429	2,429	66,779
Insurance			5,737	5,737	5,737
Meeting space	14,144	800		800	14,944
Miscellaneous	690	434	2,576	3,010	3,700
Occupancy			15,626	15,626	15,626
Postage	27,579	2,890		2,890	30,469
Printing and copying	42,763	1,544	2,525	4,069	46,832
Prizes and awards	10,000				10,000
Speaker fees	14,736				14,736
Supplies	4,683	139	2,195	2,334	7,017
Telecommunications	9,239	1,568	2,753	4,321	13,560
Travel	<u>24,102</u>	<u>4,243</u>	<u>195</u>	<u>4,438</u>	<u>28,540</u>
Total Expenses	\$ <u>709,388</u>	<u>64,750</u>	<u>372,602</u>	<u>437,352</u>	<u>1,146,740</u>

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ (247,747)
Adjustments to reconcile changes in net assets to net cash from operating activities	
Abandoned website	133,412
Depreciation	12,158
Unrealized (gains) losses	7,849
(Increase) decrease in operating assets	
Receivables	43,519
Increase (decrease) in operating liabilities	
Accounts payable	7,192
Accrued payroll	(4,618)
Accrued vacation pay	(845)
Withheld and accrued payroll tax	122
Unearned revenue	<u>550</u>
Net Cash Provided (Used) by Operating Activities	(<u>48,408</u>)

CASH FLOWS FROM INVESTING ACTIVITIES

Website development	(56,780)
Short term investments	90,000
Investment income reinvested, net	(<u>941</u>)
Net Cash Provided By Investing Activities	<u>32,279</u>

NET INCREASE (DECREASE) IN CASH (16,129)

CASH AT BEGINNING OF YEAR 20,992

CASH AT END OF YEAR \$ 4,863

SUPPLEMENTAL DATA

Interest paid \$ -

SEE ACCOMPANYING NOTES

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 was \$946.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

The organization abandoned the original website that had a remaining undepreciated balance of \$133,412. This amount has been reflected on the "Statement of Functional Expenses" as "Abandoned Website".

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, 2012 are summarized as follows:

Website development	\$ 56,780
Equipment, furnishings and fixtures	130,948
Building and improvements	<u>143,684</u>
	<u>331,412</u>
Accumulated depreciation	<u>(196,816)</u>
	<u>\$134,596</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, 2012 was \$13,104.

7. Receivables

The receivables include sponsorship pledges which have been reported as contribution income on these financial statements. All of the sponsorships receivable are expected to be received within one year of the date of these financial statements. Receivables also include amounts due from advertising revenue, contracted services, and government grants. These receivables are reported at their original invoiced amounts.

8. Short-Term Investments

Investments consist of four equity mutual funds, common stock and a certificate of deposit that matures November 8, 2012. They are stated at their fair market value which as of June 30, 2012 was \$331,192. Earnings for the period amounted to \$2,176 and unrealized gains (losses) for the period on these investments totaled \$(2,300). Permanently restricted funds of \$70,000 have been invested in a certificate of deposit. Board designated funds in the amount of \$30,465 have been invested in mutual funds and common stock.

NORTHEAST SUSTAINABLE ENERGY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, there was no balance due on this line of credit. The line of credit is due on demand and the interest on any outstanding balance is charged at the bank's base rate, which is currently 3.25%.

11. Tax Deferred Savings Plan

The organization provides a 401(k) tax deferred savings plan for its employees. Employees may make voluntary contributions to this plan and the employees are 100% vested in these accounts after five years. Voluntary contributions made by eligible employees during the current period amounted to \$16,336. Matching company contributions for the same period amounted to \$8,719.

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, 2012, 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, 2012

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, 2012, these monies were invested in a certificate of deposit.

16. Concentration of Revenue

The organization receives approximately 80.7% 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, 2012, advertising costs totaled \$76,553 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, 2012

19. **Evaluation of Subsequent Events**

NESEA has evaluated subsequent events through November 23, 2012, the date upon which the financial statements were available to be issued.