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N.C. Utilities Commission

NC GREENPOWER CORPORATION

FINANCIAL STATEMENTS

Years Ended December 31, 2006 and 2005

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NC GREENPOWER CORPORATION

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December 31, 2006 and 2005

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Williams Overman Pierce, LLP

Certified Public Accountants And Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
NC GreenPower Corporation
Raleigh, North Carolina

We have audited the accompanying statements of financial position of NC GreenPower Corporation (a nonprofit organization) as of December 31, 2006, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of NC GreenPower Corporation as of December 31, 2005, were audited by other auditors whose report dated May 26, 2006, expressed an unqualified opinion on those statements.

We conducted our audit 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 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NC GreenPower Corporation as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Williams Overman Pierce, LLP

Raleigh, North Carolina
June 26, 2007

2501 Blue Ridge Road, Suite 400 • PO Box 31823 • Raleigh, NC 27622-1823 • 919.782.3444 • Fax 919.782.2552
301 Battleground Avenue • PO Box 3366 • Greensboro, NC 27402-3366

Website www.wopcpa.com

Member:
American Institute of Certified Public Accountants
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NC GREENPOWER CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Current Assets:		
Cash and cash equivalents	\$ 3,208,129	\$ 1,239,219
Accounts receivable	122,604	54,774
Prepaid expenses	<u>3,167</u>	<u>3,167</u>
Total current assets	3,330,733	1,297,160
Intangible asset, net	<u>6,062</u>	<u>12,124</u>
	<u>\$ 3,336,795</u>	<u>\$ 1,309,284</u>

LIABILITIES AND NET ASSETS

	<u>2006</u>	<u>2005</u>
Current Liabilities:		
Accounts payable	\$ <u>101,678</u>	\$ <u>322,764</u>
Total current liabilities	<u>101,678</u>	<u>322,764</u>
Net Assets:		
Unrestricted	2,128,005	132,525
Temporarily restricted	<u>1,107,112</u>	<u>853,995</u>
	<u>3,235,117</u>	<u>986,520</u>
	<u>\$ 3,336,795</u>	<u>\$ 1,309,284</u>

See accompanying notes to financial statements.

NC GREENPOWER CORPORATION
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 Year Ended December 31, 2006
 (with comparative totals for 2005)

	2006			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2005</u>
Support and revenues:				
Consumer contributions	\$ 171,344	\$ 514,032	\$ 685,376	\$ 558,703
Contributions from Utilities	2,025,000		2,025,000	50,000
State Energy Office Grant	83,951		83,951	207,152
Support- NC Advanced Energy Corp.	116,817		116,817	115,000
Interest	86,390		86,390	8,195
Net assets released from restrictions	260,915	(260,915)		
Total support and revenues	<u>2,744,417</u>	<u>253,117</u>	<u>2,997,534</u>	<u>939,050</u>
Expenses:				
Contract labor and support	334,582		334,582	245,782
Marketing	91,017		91,017	177,061
Energy purchases	260,915		260,915	146,178
Travel and meetings	15,791		15,791	11,966
Insurance	3,167		3,167	10,460
Professional fees	30,743		30,743	9,556
Amortization	6,063		6,063	6,063
Postage	3,402		3,402	1,580
Office supplies	2,582		2,582	487
Bank fees	675		675	923
Total expenses	<u>748,937</u>		<u>748,937</u>	<u>610,056</u>
Change in net assets	1,995,480	253,117	2,248,597	328,994
Net assets, beginning of period	<u>132,525</u>	<u>853,995</u>	<u>986,520</u>	<u>657,526</u>
Net assets, end of period	<u>\$ 2,128,005</u>	<u>\$ 1,107,112</u>	<u>\$ 3,235,117</u>	<u>\$ 986,520</u>

See accompanying notes to financial statements.

NC GREENPOWER CORPORATION
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating activities:		
Increase in net assets	\$ 2,248,597	\$ 328,994
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization	6,063	6,063
Changes in operating assets and liabilities:		
Accounts receivable	(67,830)	177,536
Prepaid expenses	3,167	791
Accounts payable	<u>(221,087)</u>	<u>259,290</u>
Net cash provided by (used in) operating activities	1,968,910	772,674
Cash and cash equivalents, beginning of year	<u>1,239,219</u>	<u>466,545</u>
Cash and cash equivalents, end of year	<u>\$ 3,208,129</u>	<u>\$ 1,239,219</u>

See accompanying notes to financial statements.

NC GREENPOWER CORPORATION
NOTES TO FINANCIAL STATEMENTS
Years ended December 31, 2006 and 2005

1. Summary of Significant Accounting Policies:

Organization and Nature of Activities:

NC GreenPower Corporation (the "Corporation") is an independent, nonprofit organization established on February 6, 2003 to improve the quality of the environment in North Carolina by encouraging the development of renewable energy resources through voluntary funding of green power purchases by electric utilities in North Carolina. A landmark initiative approved by the North Carolina Utilities Commission, the Corporation is the first statewide green energy program in the nation supported by all the state's utilities and administered by North Carolina Advanced Energy Corporation ("Advanced Energy"), an independent nonprofit corporation located in Raleigh, North Carolina.

The goal of the Corporation is to supplement the state's existing power supply with more green energy, which is electricity generated from renewable resources like the sun, wind and organic matter. The program accepts financial contributions from North Carolina citizens and businesses to help offset the cost to produce energy.

The corporation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents:

The Corporation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Receivables:

Receivables consist of reimbursed expenditures of grant monies and amounts due from contributing utility companies. Receivables are recorded net of estimated uncollectible amounts. No allowance was required for 2006 and 2005.

Intangible Asset:

The intangible asset consists of the cost to initially develop the Corporation's website. Amortization is provided on a straight-line basis over five years, which is the estimated useful life of the asset. Accumulated amortization totaled \$24,250 and \$18,188 as of December 31, 2006 and 2005, respectively.

Net Assets:

Net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met either by action of the Corporation and/or the passage of time are temporarily restricted net assets. Temporarily restricted net assets for 2006 and 2005 consist of the estimated amount to purchase green energy blocks on behalf of donors. Management estimates the costs to purchase the green energy blocks to be 75% of each donor contribution, and unspent amounts as of December 31, 2006 for green energy blocks were \$1,107,112.

Net Assets Released from Restrictions

The Corporation reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions and Grants:

The Corporation receives contributions from customers and businesses for general operating purposes and to help offset the cost to produce green energy. Such contributions given without restrictions are recognized as unrestricted when received; restricted contributions are recorded as temporarily restricted until such restrictions are met.

Funds granted for specific purposes are deemed to be earned and reported as revenue when the Corporation has incurred expenditures in compliance with the grant agreement. Funds granted for general purposes are recognized when notification of funding is received.

Marketing:

Marketing expenses are expensed as incurred.

2. Related Party Transactions:

During 2006 and 2005, respectively, Advanced Energy charged the Corporation for services provided by its staff in the amount of \$334,582 and \$245,782. As of December 31, 2006 and 2005, respectively, the Corporation owed Advanced Energy \$91,675 and \$188,182.

The Corporation received contributions totaling \$116,817 and \$115,000 from Advanced Energy in 2006 and 2005, respectively.

3. Grants:

During 2006 and 2005, the Corporation received State Energy Office grants from the state of North Carolina to support the marketing and outreach efforts for the Corporation's programs. The total amount received and spent for 2006 and 2005 was \$83,951 and \$207,152, respectively.

4. Credit Risk:

Financial instruments which potentially subject the Corporation to concentration of credit risk consist primarily of cash and cash equivalents and receivables.

As of December 31, 2006 and 2005, cash and cash equivalents include \$457,917 and \$431,409, respectively, in a checking account with a high credit quality bank. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at this institution exceeded federally insured limits.

As of December 31, 2006 and 2005, cash and cash equivalents also included \$2,750,212 and \$807,810 of commercial paper held at a bank, which matures January, 2007.

One North Carolina investor-owned utility comprised 32% and 75% of the Corporation's receivables as of December 31, 2006 and 2005, respectively.

5. Commitments:

As of December 31, 2006, the Corporation executed numerous agreements with renewable energy generators for the purchase of approximately 11,000,000 kilowatt hours per year of renewable energy generated and supplied to the North Carolina electric grid pursuant to a power purchase agreement with a utility. The agreements are in effect for five years, the amount that would be due under the maximum production level is approximately \$229,000 per year. The Corporation only has liability under these agreements to the extent that energy is actually provided by the suppliers.

Subsequent to December 31, 2006, the Corporation entered into a one-year agreement with a renewable energy generator for the purchase of approximately 29,000,000 kilowatt hours per renewable energy generated and supplied to the North Carolina electric grid pursuant to a power purchase agreement with a utility. The amount that would be due there at the maximum production level is approximately \$145,000. The Corporation only has liability under this agreement to the extent that energy is actually provided by the suppliers.