Docket #
E-100 SUB 90

NC GreenPower

NC GREENPOWER CORPORATION

FINANCIAL STATEMENTS

Year Ended December 31, 2018

NC GREENPOWER CORPORATION
CONTENTS
December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NC GreenPower Corporation

We have audited the accompanying financial statements of NC GreenPower Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities and changes in net assets 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 NC GreenPower Corporation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Williams Overman Pierce, LLP

Raleigh, North Carolina
June 7, 2019

NC GREENPOWER CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Current assets:	
Cash and cash equivalents	$ 4,245,914
Receivables:	
Contributions receivable	118,761
Total current assets	4,364,675
Intangible asset, net	
	$ 4,364,675

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 176,914
Funds held for others	117,710
Total current liabilities	294,624
Commitments	
Net assets:	
Without donor restrictions:	
Unrestricted	1,351,844
Board designated - renewable energy	2,329,056
Board designated - carbon offsets	155,370
Board designated - School General Fund	200,585
With donor restrictions:	
Temporarily restricted - School Specific Fund	33,196
	4,070,051
	$ 4,364,675

See accompanying notes to financial statements.

NC GREENPOWER CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2018

	Without Donor Restrictions		With Donor Restrictions	
	Unrestricted	Board Designated	Temporarily Restricted	Total
Support and revenues:				
Consumer contributions - renewable energy	$ 90,354	$ 192,586	$	$ 282,940
Consumer contributions - brokered bids	287,948			287,948
Consumer contributions - carbon	409	27,914		28,323
Consumer contributions - School General Fund	136,811	123,027		259,838
Consumer contributions - School Specific Fund	36,095		324,859	360,954
Interest	54,894			54,894
Net assets released from restrictions	300,322		(300,322)	
Total support and revenues	906,833	343,527	24,537	1,274,897
Expenses:				
Program services	600,484	119,055		719,539
General and administrative	471,885			471,885
Total expenses	1,072,369	119,055	0	1,191,424
Change in net assets	(165,536)	224,472	24,537	83,473
Net assets, beginning of year	1,517,380	2,460,539	8,659	3,986,578
Net assets, end of year	$ 1,351,844	$ 2,685,011	$ 33,196	$ 4,070,051

NC GREENPOWER CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	2018		
	Program services	General and administrative	Total
REC, carbon offset, and brokered bid purchases	$ 209,621	$	$ 209,621
Contract labor and support	151,904	384,150	536,054
Marketing	1,248	21,740	22,988
Professional fees	332,680	61,996	394,676
Travel and meetings	11,110	3,342	14,452
Storage fees	11,804		11,804
Postage	490	325	815
Bank fees	618		618
Office supplies	64	332	396
Total expenses	$ 719,539	$ 471,885	$ 1,191,424

See accompanying notes to financial statements.

NC GREENPOWER CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

Cash flows from operating activities:	
Cash received from donors	$ 1,170,353
Cash paid to suppliers	(1,390,178)
Interest received	54,894
Net cash used in operating activities	(164,931)
Net decrease in cash	(164,931)
Cash, beginning of year	4,410,845
Cash, end of year	$ 4,245,914

Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	$ 83,473
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in receivables	(49,650)
Increase (decrease) in accounts payable	96,428
Increase (decrease) in related party payable	(27,747)
Increase (decrease) in funds held for others	(267,435)
Total adjustments	(248,404)
Net cash used in operating activities	$ (164,931)

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Organization and Nature of Activities:

NC GreenPower Corporation (the "Organization") 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 Organization is the first statewide green energy program in the nation supported by all the state's utilities.

In 2008, the Organization received approval from the North Carolina Utilities Commission to offer an additional way to improve the quality of the environment by offering consumers the opportunity to support carbon offsets created by projects mitigating greenhouse gases.

The goals of the Organization are 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; and to support the mitigation of harmful greenhouse gases. The program accepts financial contributions from North Carolina citizens and businesses to help offset the cost to produce energy and operate projects mitigating greenhouse gases.

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.

Basis of Accounting:

The Organization prepares its financial statements on the accrual basis of accounting and accordingly reflects all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents:

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less. The carrying value of cash is at cost which approximates fair value because of the short maturity of those financial instruments.

Receivables:

Receivables consist of reimbursed expenditures of grant monies and amounts due from contributing utility companies. The Organization periodically evaluates the balances in the various aging categories as well as the status of any significant past due accounts to determine the need for an allowance. Changes in the allowance are charged to the period in which management determines the change to be necessary. At December 31, 2018, management determined no allowance was necessary.

When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged against the expense. Subsequent recoveries of amounts previously written off are credited directly to earnings.

Intangible Asset:

Assets are capitalized and recorded at cost if they have a useful life longer than one year and have a cost of $1,000 or greater. Amortization expense is computed on a straight-line basis over the estimated useful lives of the assets.

The intangible asset consists of the cost of the development and redevelopment of the Organization'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 $57,576 as of December 31, 2018. The asset was fully amortized at December 31, 2018.

Funds Held for Others:

The Organization acts as a custodian for funds provided by grantors and various schools participating in a solar schools pilot program.

Basis of Presentation:

In accordance with the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958-205, Presentation of Not-for-Profit Organizations, the Organization reports information regarding its financial position and activities are classified and reported as follows:

<u>Net Assets Without Donor Restrictions</u>

Net assets that are not subject to donor-imposed stipulations are considered net assets without donor restrictions. Net assets without donor restrictions include amounts designated by the Board of Directors. Board designated net assets consist of the estimated amount to purchase renewable energy blocks or mitigate greenhouse gases on behalf of donors. The Board of Directors designates 65% to 75% of each donor contribution to provide premium payments to the producers of renewable energy or greenhouse gas mitigators to fulfill donor obligations.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulations state that the assets be maintained permanently by the Organization. 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 is met, or both.

Revenue Recognition:

The Organization reports contributions as unrestricted support if contributed without donor restrictions.

The Organization receives contributions from customers and businesses for general operating purposes and to help offset the cost to produce green energy or mitigate greenhouse gases. Such contributions, given without restrictions, are recognized as unrestricted when received.

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

Marketing Costs:

The Organization expenses marketing costs as incurred. Total marketing expense for the year ended December 31, 2018 was $22,988.

Income Taxes:

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal and state income taxes. Income generated by activities that would be considered unrelated to the Organization’s mission would be subject to tax which, if incurred, would be recognized as a current expense. No such tax has been recognized for the year ended December 31, 2018.

The Organization evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2018, the Organization does not believe that it has taken any positions that would require the recording of any additional tax liability, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2015.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include an indirect rate calculated and charged by North Carolina Advanced Energy for services provided by its staff and use of its facilities. See Note 5.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in the financial statements accordingly. The application of this ASU resulted in no change in previously reported net assets.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No 2014-09, Revenue from Contracts with Customers ("Topic 606"), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date of ASU No. 2014-09 was amended by ASU No. 2015-14. Therefore, the ASU will be effective for the Organization for the year ended December 31, 2019 with earlier adoption permitted for annual periods beginning after December 15, 2016. Further ASUs (ASU 2016-08, 2016-10) have been issued to clarify ASC Topic 606 for principal and agent considerations and performance obligations and licensing implementation guidance. The Organization is assessing the potential effects on future financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2019. The Organization is assessing the potential effects on future financial statements.

In August 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the statements of cash flows. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization does not expect these amendments to have a material effect on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08 to clarify and improve the scope and accounting guidance for contributions received and contributions made. The amendments are intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments for contributions received and made will be effective for the Organization for the fiscal year ending December 31, 2019. The Organization is assessing the potential effects on future financial statements.

Reclassifications:

Net assets, beginning of year as presented on the 2018 statement of activities and changes in net assets have been reclassified, with no effect on 2017 ending net assets with or without donor restrictions.

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 are comprised of the following:

	2018
Cash and cash equivalents	$ 4,245,914
Contributions receivable due in less than one year	118,761
Less: Temporarily restricted net assets	(33,196)
	$ 4,331,479

As part of the Organization's investments of excess cash policy, the Organization invests cash in excess of daily requirements in low risk investments, such as FDIC-insured certificates of deposit. The Organizations general rule is to maintain $1,000,000 in liquid assets which is considered by the Organization to be sufficient cash flow to meet the Organization's current obligations should there be delays in payment from significant customers.

3. Concentrations of Credit Risk

The Organization maintains bank accounts at local banks. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. Cash at these institutions exceeded federally insured limits. The amount in excess of the FDIC limit totaled $3,279,242 at December 31, 2018.

The Organization had one major customer for the year ended December 31, 2018. Revenues earned and receivable balance at year end from this customer were as follows:

	2018 Revenues	Percentage of Revenues	Receivables at December 31, 2018	Percentage of Receivables
Customer A	$ 246,987	19%	$ 11,264	9%

The Organization had one customer who accounted for $98,410, or 83%, of the contributions receivable balance at December 31, 2018.

4. Commitments

The Organization has several contracts in place at year end which do not include a termination clause and the Organization is liable under these contracts for the full contract amount. These are not recorded in the accompanying financial statements as they are based on future production levels that cannot be reasonably estimated.

Future liabilities due under the maximum production levels are as follows:

Year Ending December 31,	Total
2019	$ 155,250

5. Related Party

The Organization is administered by North Carolina Advanced Energy Corporation ("Advanced Energy"), an independent nonprofit organization located in Raleigh, North Carolina. Advanced Energy's Board of Directors constitutes the members of the Organization. Certain resolutions of the Board of Directors of the Organization require two thirds of the votes of the membership to adopt. Advanced Energy provides contributions to the Organization based on the Organization's need and at the determination of Advanced Energy's Board of Directors. Funds contributed by Advanced Energy are used to support administrative functions.

During 2018, Advanced Energy charged the Organization for services provided by its staff and use of facilities in the amount of $572,279. As of December 31, 2018, the Organization owed Advanced Energy $32,234.

6. Subsequent Events

Management has evaluated subsequent events through June 7, 2019, the date which the financial statements were available to be issued. No significant subsequent events have been identified by management.