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NC GreenPower

NC GREENPOWER CORPORATION

FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

NC GREENPOWER CORPORATION

CONTENTS

December 31, 2015 and 2014

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 financial statements of NC GreenPower Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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 of 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 auditors consider 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, 2015 and 2014, 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.

Williams Overman Pierce, LLP

Raleigh, North Carolina
June 1, 2016

NC GREENPOWER CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS

	2015	2014
Current assets:		
Cash	$ 4,176,838	$ 4,340,120
Receivables:		
Accounts receivable	397,680	333,028
Related party		51,587
Unconditional promise to give	90,000	45,000
Prepaid expenses	37,668	11,250
Total current assets	4,702,186	4,780,985
Intangible asset, net	23,031	34,546
Long term assets:		
Unconditional promise to give	43,695	86,130
Prepaid expenses		5,050
	$ 4,768,912	$ 4,906,711

LIABILITIES AND NET ASSETS

	2015	2014
Current liabilities:		
Accounts payable	$ 534,352	$ 318,178
Related party payable	33,738	82,632
Deferred revenue	65,397	
Total current liabilities	633,487	400,810
Net assets:		
Unrestricted	1,598,466	1,995,948
Board designated - renewable energy	2,270,817	2,421,485
Board designated - carbon offsets	101,989	88,468
Board designated - School General Fund	164,153	
	4,135,425	4,505,901
	$ 4,768,912	$ 4,906,711

See accompanying notes to financial statements.

NC GREENPOWER CORPORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2015 and 2014

	2015			2014
	Unrestricted	Board Designated	Total	
Support and revenues:				
Consumer contributions - renewable energy	$ 87,790	$ 336,034	$ 423,824	$ 719,116
Consumer contributions - brokered bids	427,663		427,663	304,630
Consumer contributions - carbon	16,034	13,521	29,555	34,150
Consumer contributions - School General Fund	42,236	164,153	206,389	
Support - NC Advanced Energy Corp				51,587
Other revenue	3,065		3,065	38,460
Interest	12,369		12,369	14,058
Total support and revenues	589,157	513,708	1,102,865	1,162,001
Expenses:				
REC & carbon offset purchases	360,707	486,702	847,409	825,347
Contract labor and support	501,280		501,280	454,441
Marketing	41,761		41,761	107,614
Professional fees	57,122		57,122	37,534
Travel and meetings	6,500		6,500	8,242
Postage	2,146		2,146	152
Amortization	11,515		11,515	11,515
Bank fees	1,846		1,846	1,787
Office supplies	551		551	95
Other expenses	3,211		3,211	1,896
Total expenses	986,639	486,702	1,473,341	1,448,623
Change in net assets	(397,482)	27,006	(370,476)	(286,622)
Net assets, beginning of year	1,995,948	2,509,953	4,505,901	4,792,523
Net assets, end of year	$ 1,598,466	$ 2,536,959	$ 4,135,425	$ 4,505,901

See accompanying notes to financial statements.

NC GREENPOWER CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from donors	$ 1,074,866	$ 1,280,294
Cash paid to suppliers and employees	(1,250,517)	(1,573,953)
Interest received	12,369	14,058
Net cash used in operating activities	(163,282)	(279,601)
Net decrease in cash	(163,282)	(279,601)
Cash, beginning of year	4,340,120	4,619,721
Cash, end of year	$ 4,176,838	$ 4,340,120

	2015	2014
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	$ (370,476)	$ (286,622)
Adjustments to reconcile change in net assets to cash used in operating activities:		
Amortization	11,515	11,515
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(15,630)	132,351
(Increase) decrease in prepaid expenses	(21,368)	(8,497)
Increase (decrease) in accounts payable	216,174	(176,757)
Increase (decrease) in related party payable	(48,894)	48,409
Increase (decrease) in deferred revenue	65,397	
Total adjustments	207,194	7,021
Net cash used in operating activities	$ (163,282)	$ (279,601)

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.

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, 2015 and 2014, 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.

Promises to Give:

Unconditional promises to give are recognized as contribution revenues and as assets. Promises expected to be collected in less than one year are recorded at fair value. Promises expected to be collected in more than one year are recorded at fair value with a corresponding discount to reduce the receivable to its present value. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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 $34,845 and $23,330 as of December 31, 2015 and 2014, respectively.

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>Unrestricted Net Assets</u>

Net assets that are not subject to donor-imposed stipulations are considered unrestricted.

Unrestricted net assets 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. Unspent amounts as of December 31, 2015 and 2014 for renewable energy were $2,270,817 and $2,421,485, respectively. The unspent amounts as of December 31, 2015 and 2014 for carbon offsets were $101,989 and $88,468, respectively. The unspent amount as of December 31, 2015 for the School General Fund was $164,153.

Temporarily Restricted Net Assets

Net assets that are subject to donor-imposed stipulations that may or will be met either by action of the Organization and/or the passage of time are considered temporarily restricted.

Permanently Restricted Net Assets

Net assets that are required by the donor to be maintained in perpetuity are considered permanently restricted.

Revenue Recognition:

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

Contributions and Grants:

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 years ended December 31, 2015 and 2014 was $41,761 and $107,614, respectively.

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 years ended December 31, 2015 and 2014.

The Organization evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2015, 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 2012.

2. 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 $3,429,712 and $3,609,234 at December 31, 2015 and 2014, respectively.

One customer comprised 35% of the Organization's 2015 revenue and 99% of receivables as of December 31, 2015. This same customer comprised 20% of the Organization's 2014 revenue and 64% of receivables as of December 31, 2014.

3. Promise To Give

There was an unconditional promise to give totaling $135,000 at December 31, 2015 and 2014. This is expected to be paid in two installments of $45,000 during the year ending December 31, 2016 and one installment of $45,000 in 2017. Using current rates as of December 31, 2015, promises to give with an expected date of longer than one year are discounted at 3%. The unamortized discount on the promise to give was $1,305 and $3,870 as of December 31, 2015 and 2014, respectively. Management has determined no allowance for uncollectible promises to give was necessary at December 31, 2015 and 2014, as the promise to give is expected to be fully collected.

4. Commitments

The Organization executes numerous agreements with renewable energy generators for the payment of premiums for kilowatt hours of renewable energy generated and supplied to the North Carolina electric grid pursuant to a power purchase agreement with a utility. The agreements are generally in effect for five years and include a termination policy in the event of any changes to the Organization's program. The Organization only has liability under these agreements to the extent that energy is actually provided by the suppliers.

In addition, 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.

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

Year Ending December 31,	Agreements	Contracts	Total
2016	$ 187,833	$ 295,905	$ 483,738
2017	106,977	80,726	187,703
2018	49,292	71,500	120,792
2019	26,850		26,850
2020	6,151		6,151
	$ 377,103	$ 448,131	$ 825,234

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 2015 and 2014, Advanced Energy charged the Organization for services provided by its staff and use of facilities in the amount of $523,259 and $465,258 respectively. As of December 31, 2015 and 2014, the Organization owed Advanced Energy $33,738 and $82,632, respectively.

As of December 31, 2014, Advanced Energy owed the Organization $51,587. There was no such amount owed to the Organization at December 31, 2015.

6. Functional Expenses

Expenses reported by natural classification on the statements of activities and changes in net assets are related to the following functions of the Organization.

	2015	2014
Program Services	$ 412,795	$ 394,192
REC & Carbon Offset Purchases	847,409	825,347
Administrative	213,137	229,084
	$ 1,473,341	$ 1,448,623

7. Subsequent Events

Management has evaluated subsequent events through June 1, 2016, the date which the financial statements were available to be issued. No significant subsequent events have been identified by management.