

North Carolina Sustainable Energy Association

Report on Audit of Financial Statements

for the years ended June 30, 2023 and 2022

MPCompany LLP

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Independent Auditors' Report

Board of Directors
North Carolina Sustainable Energy Association

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of North Carolina Sustainable Energy Association, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of North Carolina Sustainable Energy Association as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Carolina Sustainable Energy Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Carolina Sustainable Energy Association's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 North Carolina Sustainable Energy Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Carolina Sustainable Energy Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

MPC Company LLP

October 26, 2023

North Carolina Sustainable Energy Association
Statements of Financial Position
June 30, 2023 and 2022

	<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:			
Cash and cash equivalents		\$ 1,482,425	\$ 1,810,968
Certificates of deposit		12,090	11,982
Accounts receivable		92,471	37,209
Grants receivable		70,000	362,740
Sales tax receivable		2,278	2,155
Prepaid expenses		<u>25,851</u>	<u>26,710</u>
Total current assets		<u>1,685,115</u>	<u>2,251,764</u>
Property and equipment:			
Office equipment		89,903	86,324
Office furniture		107,047	107,047
Leasehold improvements		49,515	49,515
Software		<u>16,138</u>	<u>16,138</u>
		262,603	259,024
Less: accumulated depreciation and amortization		<u>(236,837)</u>	<u>(218,044)</u>
Total property and equipment, net		<u>25,766</u>	<u>40,980</u>
Noncurrent portion of grants receivable, net		<u>-</u>	<u>140,000</u>
Other assets			
Right-of-use assets, net		333,481	-
Membership list, net		20,000	22,500
Intangible property rights, net		8,000	9,000
Goodwill, net		<u>4,000</u>	<u>4,500</u>
Total other assets		<u>365,481</u>	<u>36,000</u>
Total assets		<u>\$ 2,076,362</u>	<u>\$ 2,468,744</u>

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

	<u>Liabilities and Net Assets</u>	
	<u>2023</u>	<u>2022</u>
Current liabilities:		
Operating lease liabilities, current maturities	\$ 187,404	\$ -
Accounts payable	101,061	95,391
Accrued paid time off	37,236	47,512
Payroll taxes payable	31,840	30,910
Deferred member dues	75,557	69,463
Unearned grants	<u>-</u>	<u>15,549</u>
Total current liabilities	<u>433,098</u>	<u>258,825</u>
Noncurrent liabilities:		
Operating lease liabilities, excluding current maturities	174,041	-
Noncurrent liability - deferred lease liability	<u>-</u>	<u>35,740</u>
Total noncurrent liabilities	<u>174,041</u>	<u>35,740</u>
Total liabilities	<u>607,139</u>	<u>294,565</u>
Net assets:		
Without donor restrictions	1,093,637	1,770,093
With donor restrictions	<u>375,586</u>	<u>404,086</u>
Total net assets	<u>1,469,223</u>	<u>2,174,179</u>
Total liabilities and net assets	\$ <u>2,076,362</u>	\$ <u>2,468,744</u>

North Carolina Sustainable Energy Association
Statements of Activities and Changes in Net Assets
for the years ended June 30, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 1,068,223	\$ -	\$ 1,068,223
Grants	64,174	350,000	414,174
Indirect public support	448,221	-	448,221
Membership dues	116,481	-	116,481
Sponsorship	62,800	-	62,800
Program service fees	362,444	-	362,444
Interest income	11,202	-	11,202
Miscellaneous	1,648	-	1,648
Total revenues and other support	<u>2,135,193</u>	<u>350,000</u>	<u>2,485,193</u>
Net assets released from restrictions	<u>378,500</u>	<u>(378,500)</u>	<u>-</u>
Expenses and losses:			
Expenses:			
Program services	2,650,206	-	2,650,206
Supporting services:			
Management and general	485,177	-	485,177
Fundraising	54,731	-	54,731
Total expenses	<u>3,190,114</u>	<u>-</u>	<u>3,190,114</u>
Loss on disposal of assets	35	-	35
Total expenses and losses	<u>3,190,149</u>	<u>-</u>	<u>3,190,149</u>
Changes in net assets	(676,456)	(28,500)	(704,956)
Net assets at beginning of year	<u>1,770,093</u>	<u>404,086</u>	<u>2,174,179</u>
Net assets at end of year	<u>\$ 1,093,637</u>	<u>\$ 375,586</u>	<u>\$ 1,469,223</u>

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

2022

Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,522,469	\$ -	\$ 1,522,469
103,584	472,500	576,084
564,269	-	564,269
111,870	-	111,870
18,100	-	18,100
39,687	-	39,687
2,407	-	2,407
5,955	-	5,955
<u>2,368,341</u>	<u>472,500</u>	<u>2,840,841</u>
<u>460,053</u>	<u>(460,053)</u>	<u>-</u>
2,292,062	-	2,292,062
392,542	-	392,542
90,280	-	90,280
<u>2,774,884</u>	<u>-</u>	<u>2,774,884</u>
<u>212</u>	<u>-</u>	<u>212</u>
<u>2,775,096</u>	<u>-</u>	<u>2,775,096</u>
53,298	12,447	65,745
<u>1,716,795</u>	<u>391,639</u>	<u>2,108,434</u>
\$ <u>1,770,093</u>	\$ <u>404,086</u>	\$ <u>2,174,179</u>

North Carolina Sustainable Energy Association
 Statements of Functional Expenses
 for the years ended June 30, 2023 and 2022

	2023			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Wages and payroll taxes	\$ 1,391,797	\$ 297,847	\$ 41,205	\$ 1,730,849
Employee benefits	80,391	8,884	4,699	93,974
Contract services	794,843	76,195	-	871,038
Operations	210,116	44,559	8,287	262,962
Conferences, meetings, events	110,298	1,027	300	111,625
Depreciation and amortization	-	25,275	-	25,275
Travel	40,705	7,019	66	47,790
Association expenses	7,502	11,353	-	18,855
Professional development	4,820	1,170	12	6,002
Insurance	3,270	10,152	-	13,422
Bank charges	6,464	1,100	162	7,726
Miscellaneous expenses	-	596	-	596
Total	\$ 2,650,206	\$ 485,177	\$ 54,731	\$ 3,190,114

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

2022

<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
\$ 1,439,192	\$ 251,526	\$ 74,581	\$ 1,765,299
78,128	9,191	4,596	91,915
483,891	56,201	5	540,097
207,542	36,323	10,875	254,740
25,817	-	-	25,817
-	27,206	-	27,206
19,806	3,265	8	23,079
7,303	1,012	-	8,315
23,760	256	-	24,016
2,869	6,585	-	9,454
3,654	328	215	4,197
100	649	-	749
<u>\$ 2,292,062</u>	<u>\$ 392,542</u>	<u>\$ 90,280</u>	<u>\$ 2,774,884</u>

North Carolina Sustainable Energy Association
Statements of Cash Flows
for the years ended June 30, 2023 and 2022

	2023	2022
Operating activities:		
Changes in net assets	\$ (704,956)	\$ 65,745
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	21,275	23,206
Goodwill and intangible amortization expense	4,000	4,000
Amortization on right of use asset	166,665	-
Increase (decrease) on discount on grants receivable	(416)	416
Loss on disposal of property and equipment	35	212
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(55,262)	(31,120)
Grants receivable	433,156	(23,156)
Sales tax receivable	(123)	(457)
Prepaid expenses	859	(14,193)
Increase (decrease) in liabilities:		
Operating lease liabilities	(174,441)	-
Accounts payable	5,670	29,239
Accrued paid time off	(10,276)	(16,961)
Payroll taxes payable	930	8,444
Deferred member dues	6,094	(2,137)
Unearned grants	(15,549)	15,549
Deferred lease liability	-	(2,032)
Net cash provided by (used in) operating activities	(322,339)	56,755
Investing activities:		
Purchases of certificates of deposits, net	(108)	(53)
Capital expenditures for property and equipment	(6,096)	(9,552)
Net cash used in investing activities	(6,204)	(9,605)
Net increase (decrease) in cash and cash equivalents	(328,543)	47,150
Cash and cash equivalents, beginning of year	1,810,968	1,763,818
Cash and cash equivalents, end of year	\$ 1,482,425	\$ 1,810,968
Supplemental disclosure of non-cash investing and financing activity		
Right of use asset and liability upon ASC 842 implementation	\$ 500,146	\$ -

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

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022, there were cash deposits of \$326,827 and \$126,526, 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 \$21,275 and \$23,206 for the years ended June 30, 2023 and 2022, respectively.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Membership List, Intangible Property Rights, and Goodwill

The membership list represents the cost of acquiring a membership base in an asset acquisition in June 2021. Intangible property rights represents the cost of acquiring logos, trademarks and trade names in an asset acquisition in June 2021. Goodwill represents the excess of the cost of assets acquired over the fair value of their net assets at the date of acquisition. The Association follows *FASB ASC Topic 350, Intangibles—Goodwill and Other Intangibles*, which allows for the amortization of goodwill and other intangible assets. Amortization of membership list, intangible property rights, and goodwill is calculated using the straight-line method over ten years, the estimated useful life of the assets. In addition, the Association reviews for impairment when a triggering event occurs that indicates the fair value of the entity level may be below its goodwill existing at the beginning of financial reporting period.

NCSEA has adopted Accounting Standards Update (ASU) No. 2017-04 – *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* to reduce the cost and complexity of the goodwill impairment test. Amortization expense for the years ended June 30, 2023 and 2022 was \$4,000 and \$4,000, respectively.

Accrued Paid Time Off

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, 2023 and 2022, the estimated liability of unused paid time off is \$37,236 and \$47,512.

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

Revenues 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.

Revenues on cost reimbursement grants are recognized when the direct costs are incurred. Payments received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contribution revenue is recognized when an unconditional promise to give is received. The Association 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.

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.

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.

Leases

The Association has entered into a variety of operating leases for office space and equipment. The obligations associated with these leases have been recognized as a liability in the statement of financial position based on future lease payments, discounted by the incremental borrowing rate for the Association's operating leases.

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

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, 2023 and 2022, the discretionary contribution was \$12,538 and \$14,325, 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.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recently Adopted Accounting Standards

In 2023, the Association adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Association elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Association recognized right-of-use assets and lease liabilities, net of deferred rent of \$500,146. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

Subsequent Events

For the year-ended June 30, 2023, the Association evaluated subsequent events for potential recognition and disclosure through October 26, 2023, the date of financial statement issuance.

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,482,425	\$ 1,810,968
Certificates of deposit	12,090	11,982
Accounts receivable	92,471	37,209
Grants receivable	70,000	502,740
Sales tax receivable	<u>2,278</u>	<u>2,155</u>
Total financial assets	1,658,864	2,365,054
Less amounts not available for general expenditures within one year:		
Restricted by time	-	(140,000)
Restricted for clean energy program	<u>(305,586)</u>	<u>(264,086)</u>
Total financial assets available to meet general expenditures within one year	\$ <u>1,353,678</u>	\$ <u>1,960,968</u>

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2023 and 2022

2. LIQUIDITY AND AVAILABILITY (Continued)

The Association 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 resources 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 70,000	\$ 363,156
In one to five years	<u>-</u>	<u>140,000</u>
	70,000	503,156
Less discount to net present value at 0.3%	<u>-</u>	<u>416</u>
	<u>\$ 70,000</u>	<u>\$ 502,740</u>

4. OPERATING LEASES AND LEASE LIABILITIES

NCSEA has a non-cancelable operating 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 \$342 and expiring in 2027.

In 2023, the Association adopted Accounting Standards Codification Topic 842, *Leases* and as such has recognized both a right of use asset and a corresponding lease liability on the statement of financial position for its executed operating leases. The asset and liability are amortized over the life of the leases. The operating lease liability is presented net of a discount on future cash flows under the lease term at the incremental borrowing rate of 4.25%. Amortization expense on lease liabilities and assets for the year ended June 30, 2023 is \$174,441 and \$166,665, respectively.

Future minimum lease payments under these non-cancelable lease agreements at June 30, 2023 are as follows:

2024	\$ 198,487
2025	170,119
2026	4,104
2027	<u>3,078</u>
Undiscounted lease liability	\$ 375,788
Less present value discount	<u>(14,343)</u>
Net lease liability	361,445
Less current maturities	<u>(187,404)</u>
	<u>\$ 174,041</u>

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2023 and 2022

4. OPERATING LEASES (Continued)

Rental expense under these leases was \$185,816 and \$183,125 for the years ended June 30, 2023 and 2022, respectively.

Effective October 23, 2023, NCSEA entered into a sublease agreement for its office space. The agreement includes various monthly payments from the subtenant for the period of November 2023 through April 2025.

5. NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets are available as follows at June 30:

	<u>2023</u>	<u>2022</u>
Purpose restrictions:		
Clean energy	\$ 305,586	\$ 264,086
Time restrictions:		
Contributions	<u>70,000</u>	<u>140,000</u>
	<u>\$ 375,586</u>	<u>\$ 404,086</u>

6. CONCENTRATIONS

NCSEA received approximately 73% and 81% of its support from three organizations for the years ended June 30, 2023 and 2022, 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 43% and 88% of the Association's receivables were due from three contributing organizations at June 30, 2023 and 2022, respectively.

Approximately 62% and 41% of the Association's payables were due to three vendors at June 30, 2023 and 2022, respectively.

7. CONDITIONAL GRANTS

During the year ended June 30, 2022, the Association was awarded conditional grants totaling \$300,000. During 2023 and 2022, the Association recorded grant revenue of \$250,552 and \$25,107, respectively as conditions were met.

The remainder of the grants, \$24,341 and \$274,893, respectively, are due upon meeting certain conditions. As these conditions have not been met as of June 30, 2023 and 2022, they have not been recorded as grant revenue in 2023 and 2022.

8. 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.