

NEW BUILDINGS INSTITUTE, INC.

Audited Financial Statements

For the Year Ended June 30, 2017



MCDONALD JACOBS

Shareholders

MARK A. CLIFT, CPA
KARIN S. WANDTKE, CPA
SANG AHN, CPA
GERARD DEBLOIS JR., CPA
MARY STRASDIN, CPA
ANTHONY ALMER, CPA
TYEE CARR, CPA

Principals

JAKE JACOBS, CPA Retired
SUSAN J. MARKS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Buildings Institute, Inc.

We have audited the accompanying financial statements of New Buildings Institute, Inc. (the Institute) (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, 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.

Auditor's 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 auditor's 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 Institute'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 Institute'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 New Buildings Institute, Inc., and 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.

Report on Summarized Comparative Information

We have previously audited New Buildings Institute's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacoby, P.C.

Portland, Oregon
October 23, 2017

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017
(With comparative totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,676,123	\$ 917,326
Contracts receivable	465,329	538,928
Contributions receivable	18,729	68,440
Prepaid expenses and other assets	38,456	13,622
Property and equipment, net	31,895	42,640
 TOTAL ASSETS	 \$ 2,230,532	 \$ 1,580,956
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 124,794	\$ 73,968
Accrued personnel expenses	138,635	108,226
Deferred revenue	307,169	261,890
Total liabilities	570,598	444,084
Net assets:		
Unrestricted:		
Undesignated	914,018	528,435
Net property and equipment	31,895	42,640
Total unrestricted	945,913	571,075
Temporarily restricted	714,021	565,797
Total net assets	1,659,934	1,136,872
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,230,532	 \$ 1,580,956

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2017
(With comparative totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contract service revenues	\$ 1,571,755	\$ -	\$ 1,571,755	\$ 900,308
Sponsorship revenues	573,085	-	573,085	532,056
Grants	-	975,000	975,000	938,000
Forum revenue	114,382	-	114,382	-
Other income	16,001	-	16,001	10,751
Net assets released from restrictions:	826,776	(826,776)	-	-
Total support and revenue	3,101,999	148,224	3,250,223	2,381,115
Expenses:				
Program services:				
Zero energy development	812,614	-	812,614	555,634
Codes and policy	486,284	-	486,284	389,446
Building and program innovation	880,683	-	880,683	437,885
Total program services	2,179,581	-	2,179,581	1,382,965
Management and general	467,792	-	467,792	301,687
Fundraising	79,788	-	79,788	80,162
Total expenses	2,727,161	-	2,727,161	1,764,814
 Change in net assets	 374,838	 148,224	 523,062	 616,301
Net assets:				
Beginning of the year	571,075	565,797	1,136,872	520,571
 End of the year	 \$ 945,913	 \$ 714,021	 \$ 1,659,934	 \$ 1,136,872

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2017
(With comparative totals for 2016)

2017

	Program Services						2016 Total	
	Zero Energy Development	Codes and Policy	Building and Program Innovation	Total Program Services	Management and general	Fundraising		Total
Salaries and related expenses	\$ 517,568	\$ 324,338	\$ 478,651	\$1,320,557	\$ 325,566	\$ 70,072	\$ 1,716,195	\$ 1,160,114
Project subcontractors	86,579	98,270	324,722	509,571	-	-	509,571	255,188
Project direct costs	146,585	26,460	20,019	193,064	-	-	193,064	79,496
Professional fees	2,724	1,609	2,578	6,911	31,536	186	38,633	97,988
Office supplies, telephone and other	19,886	13,248	21,592	54,726	25,070	2,639	82,435	68,974
Occupancy	23,965	12,320	19,537	55,822	14,952	5,677	76,451	59,213
Other	12,075	8,002	10,586	30,663	15,063	776	46,502	36,946
Bad debt expense	-	-	-	-	53,565	-	53,565	-
Depreciation and amortization	3,232	2,037	2,998	8,267	2,040	438	10,745	6,895
Total expenses	\$ 812,614	\$ 486,284	\$ 880,683	\$ 2,179,581	\$ 467,792	\$ 79,788	\$ 2,727,161	\$ 1,764,814

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2017
(With comparative totals for 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from contractors	\$ 1,686,779	\$ 596,268
Cash received from sponsors, grantors and other	1,676,471	1,479,826
Cash received from interest	1,997	981
Cash paid for payroll and related expenses	(1,685,787)	(1,155,956)
Cash paid for other operating expenses	(920,663)	(589,926)
Net cash provided by operating activities	758,797	331,193
Cash flows from investing activities:		
Purchase of property and equipment	-	(39,859)
Net cash used in investing activities	-	(39,859)
Net increase in cash and cash equivalents	758,797	291,334
Cash and cash equivalents - beginning of year	917,326	625,992
Cash and cash equivalents - end of year	\$ 1,676,123	\$ 917,326
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 523,062	\$ 616,301
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,745	6,895
Bad debt expense	53,565	-
(Increase) decrease in:		
Contracts receivable	20,034	(375,190)
Contributions receivable	49,711	(53,440)
Prepaid expenses and other assets	(24,834)	14,647
Increase (decrease) in:		
Accounts payable	50,826	(6,768)
Accrued personnel expenses	30,409	4,158
Deferred revenue	45,279	124,590
Net cash provided by operating activities	\$ 758,797	\$ 331,193

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

I. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

New Buildings Institute, Inc. (the Institute) is an independent, nonprofit organization founded in 1997 dedicated to making buildings better for people and the environment. The Institute promotes energy efficiency in buildings through policy development, research, training programs, and the development of guidelines and codes. The Institute works with national, regional, state, and utility groups, and serves as a “carrier” of ideas amount states and regions regarding efficient, effective, and “advanced” buildings.

The Institute's programs are as follows:

Zero Energy Development:

The Institute's thought leadership, research, project tracking, education, communications, convening and networking on “Getting to Zero” focuses on driving higher numbers of zero net energy buildings. This program utilizes these multiple strategy areas to help build market capability, raise awareness and create advocates that will continue the current momentum for a transformation of the built environment to a standard of ultra-efficient buildings that consume only as much energy as they produce through clean, renewable resources located onsite and within the community.

Codes and Policy:

Energy codes continue to be a crucial lever in transforming markets for high performance buildings. The Institute's work in this program area includes strengthening model building energy codes and increasing use and usefulness. The Institute also develops the necessary though leadership to overcome critical issues that are hindering code advancement and create the technical basis for progressive code and policy approaches such as stretch and outcome-based codes. The Institute works directly with leading jurisdictions to implement and increase compliance with these advanced code and policy strategies as well as to develop code and policy roadmaps.

Building and Program Innovation:

Under its Building and Program Innovation program, the Institute develops the technical analyses, tools and guidance that provide critical support for building owners, practitioners, utilities and advanced jurisdictions that want to create or enhance programs that favor ultra-efficiency in commercial buildings. Examples include building science research, technology assessment building standards and tools development, training and services, including the *New Construction and Multifamily Guides*, building portfolio diagnostic assessments using *FirstView*, modeling protocols and a building and code energy performance scale called *zEPI*.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2017

I. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Institute and changes therein are classified and reported as unrestricted or temporarily restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Institute and/or the passage of time.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Institute considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Contracts Receivable

Contracts receivable are unsecured and reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, an estimate is made of the portion of the balance that may not be collected. Receivables are written off as a charge to the allowance when management deems the balance is uncollectible. As of June 30, 2017, management believes all receivables as collectible and no allowance for uncollectible accounts is deemed necessary.

Contracts receivable over 90 days at June 30, 2017 and 2016 were approximately \$131,000 and \$72,000, respectively.

Contributions Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Institute is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Institute has an established right to the bequest and the proceeds are measurable. All contributions receivable are expected to be collected within one year.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2017

I. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which is currently five years.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Revenue Recognition

Revenue associated with contracts and fee for service arrangements is recorded when services are performed. Monies received in advance of providing services or incurring expenses are recorded as deferred revenue until earned.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

New Buildings Institute, Inc. is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Institute has no activities subject to unrelated business income tax. The Institute is not a private foundation.

The Institute follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Institute's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2017

I. NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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.

Summarized Financial Information for 2016

The financial information as of June 30, 2016 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Institute has evaluated all subsequent events through October 23, 2017, the date the financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Office equipment and furniture	\$ 15,451	\$ 32,390
Software and website	<u>41,965</u>	<u>41,965</u>
Total property and equipment	57,416	74,355
Accumulated depreciation and amortization	<u>(25,521)</u>	<u>(31,715)</u>
Property and equipment, net	<u>\$ 31,895</u>	<u>\$ 42,640</u>

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2017

3. LINE OF CREDIT

The Institute has a \$150,000 line of credit with a financial institution. Interest payments are due monthly on any outstanding balance at a variable rate equal to the lender's prime rate (5.25% as of June 30, 2017). The line of credit is secured by all accounts and equipment of the Institute and matures October 2017. There were no advances on the line at June 30, 2017.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time Restricted:		
Restricted for July 1, 2017 - June 30, 2018	\$ 200,000	\$ -
Purpose Restricted:		
Catalyzing Transformation of the Building Sector for a Low-Carbon Future	514,021	418,644
Policies and Codes including Multifamily Energy Codes Initiative	-	77,968
Water-energy Nexus of School Districts in the Northwest	<u>-</u>	<u>69,185</u>
Total temporarily restricted net assets	<u>\$ 714,021</u>	<u>\$ 565,797</u>

5. LEASE COMMITMENT

The Institute leased its administrative offices under an operating lease which expired June 2017 for approximately \$6,200 per month (\$4,700 per month during 2016). The lease was renewed subsequent to year end through June 2018 at approximately \$6,200 per month. There is an option to renew for an additional year at the end of the lease term. Rent expense approximated \$76,000 and \$58,000 for the years ended June 30, 2017 and 2016, respectively.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2017

6. RETIREMENT PLAN

The Institute provides a tax-deferred compensation plan qualified under section 401(k) of the Internal Revenue Code for all employees following completion of three months of service. Employees are fully vested in the plan at all times. The Institute makes safe harbor contributions of 3% of eligible earnings. In addition, the Institute matches employee contributions to the plan up to a maximum of 2% of the employee's pay. The Institute's contributions to the plan approximated \$69,000 and \$45,000 for the years ended June 30, 2017 and 2016, respectively.

7. CONCENTRATIONS OF CREDIT RISK

The Institute maintains its cash balances in several financial institutions. Balances at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$327,000 and \$418,000 as of June 30, 2017 and 2016, respectively.

The Institute's revenues are concentrated with 54% of total revenues coming from four sources for the year ended June 30, 2017 and 36% of total revenues coming from two sources for the year ended June 30, 2016. The Institute's credit risk for contracts receivable is concentrated with 58% of the balances due from three entities at June 30, 2017 and 45% due from three entities at June 30, 2016.

8. RELATED PARTY DISCLOSURE

Certain board members are in senior management positions with entities that provide sponsorships and engage in business activities with the Institute. These transactions occur in the normal course of business and are disclosed as part of the Institute's conflict of interest policy.

9. CONTRACT COMMITMENTS

Under contracts with other organizations, New Buildings Institute has committed to reimburse expenses up to contract award amounts. Approximate amounts committed but not yet recorded at June 30, 2017 total approximately \$250,000. These commitments will be funded through existing agreements of approximately \$1.7 million the Institute has with its funders.