

NEW BUILDINGS INSTITUTE, INC.

Audited Financial Statements

For the Year Ended June 30, 2016



MCDONALD JACOBS

Shareholders

Mark A. Clift, CPA

Jill Oswald

Karin S. Wandtke, CPA

Sang Ahn, CPA

Gerard DeBlois Jr., CPA

Mary Strasdin, CPA

Anthony Almer, CPA

Principals

Jake Jacobs, CPA

Susan J. Marks, CPA

Tyee Carr, CPA

Victor Epstein, 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, 2016, 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.

Other Matter

The prior year summarized comparative information has been derived from the Institute's 2015 financial statements which were audited by another auditor who expressed an unmodified opinion on those statements in their report dated December 8, 2015.

McDonald Jacobson, P.C.

Portland, Oregon
September 27, 2016

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With comparative totals for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 917,326	\$ 625,992
Contracts receivable	538,928	163,738
Contributions receivable	68,440	15,000
Prepaid expenses and other assets	13,622	28,269
Property and equipment, net	42,640	9,676
 TOTAL ASSETS	 \$ 1,580,956	 \$ 842,675
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 73,968	\$ 80,736
Accrued personnel expenses	108,226	104,068
Deferred revenue	261,890	137,300
Total liabilities	444,084	322,104
Unrestricted net assets:		
Undesignated	528,435	116,047
Net property and equipment	42,640	9,676
Total unrestricted net assets	571,075	125,723
Temporarily restricted	565,797	394,848
Total net assets	1,136,872	520,571
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,580,956	 \$ 842,675

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contract service revenues	\$ 900,308	\$ -	\$ 900,308	\$ 731,317
Sponsorship revenues	532,056	-	532,056	770,187
Grants	-	938,000	938,000	440,000
Registration fees and publication sales	10,751	-	10,751	105,421
Net assets released from restrictions:	767,051	(767,051)	-	-
Total support and revenue	2,210,166	170,949	2,381,115	2,046,925
Expenses:				
Program services:				
Zero net energy	555,634	-	555,634	566,119
Codes and policy	389,446	-	389,446	245,797
Program innovations	437,885	-	437,885	733,806
Total program services	1,382,965	-	1,382,965	1,545,722
Management and general	301,687	-	301,687	415,680
Fundraising	80,162	-	80,162	139,075
Total expenses	1,764,814	-	1,764,814	2,100,477
 Change in net assets	 445,352	 170,949	 616,301	 (53,552)
Net assets:				
Beginning of the year	125,723	394,848	520,571	574,123
End of the year	\$ 571,075	\$ 565,797	\$ 1,136,872	\$ 520,571

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016						2015	
	Program Services						Total	
	Zero Net Energy	Codes and Policy	Program Innovations	Total Program Services	Management and general	Fundraising	Total	Total
Salaries and related expenses	\$ 323,170	\$ 268,700	\$ 288,314	\$ 880,184	\$ 209,970	\$ 69,960	\$ 1,160,114	\$ 1,293,587
Project subcontractors	115,826	65,375	73,987	255,188	-	-	255,188	277,260
Project direct costs	46,731	17,235	15,530	79,496	-	-	79,496	179,731
Professional fees	22,371	6,871	19,484	48,726	47,822	1,440	97,988	141,136
Office supplies, telephone and other	16,603	13,433	18,499	48,535	17,721	2,718	68,974	60,032
Occupancy	17,505	12,578	14,783	44,866	10,604	3,743	59,213	109,428
Other	11,210	3,805	5,349	20,364	14,638	1,944	36,946	32,316
Depreciation and amortization	2,218	1,449	1,939	5,606	932	357	6,895	6,987
Total expenses	\$ 555,634	\$ 389,446	\$ 437,885	\$ 1,382,965	\$ 301,687	\$ 80,162	\$ 1,764,814	\$ 2,100,477

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2016
(With comparative totals for 2015)

	2016	2015
Cash flows from operating activities:		
Cash received from contractors	\$ 596,268	\$ 931,537
Cash received from sponsors, grantors and other	1,479,826	1,374,617
Cash received from interest	981	588
Cash paid for payroll and related expenses	(1,155,956)	(1,338,118)
Cash paid for other operating expenses	(589,926)	(887,479)
Net cash provided by operating activities	331,193	81,145
Cash flows from investing activities:		
Purchase of property and equipment	(39,859)	(5,439)
Proceeds from the sale of property and equipment	-	800
Net cash used in investing activities	(39,859)	(4,639)
Net increase in cash and cash equivalents	291,334	76,506
Cash and cash equivalents - beginning of year	625,992	549,486
Cash and cash equivalents - end of year	\$ 917,326	\$ 625,992
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 616,301	\$ (53,552)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,895	6,987
Loss on disposal of asset	-	882
(Increase) decrease in:		
Contracts receivable	(375,190)	86,635
Contributions receivable	(53,440)	35,000
Prepaid expenses and other assets	14,647	(2,525)
Increase (decrease) in:		
Accounts payable and accrued expenses	(6,768)	(85,050)
Accrued personnel expenses	4,158	(44,532)
Deferred revenue	124,590	137,300
Net cash provided by operating activities	\$ 331,193	\$ 81,145

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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 Net Energy:

Research, project tracking, convenings and networking, communications, education and thought leadership on “Getting to Zero” focuses on the driving scale 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 onsite through clean, renewable resources.

Codes and Policy:

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

Program Innovations:

Under Program Innovations, the Institute develops the technical analysis, tool development and Advanced Buildings guidance that provide critical support for building owners, practitioners, utilities and states or cities that want to develop or enhance programs that favor ultra-efficiency in commercial buildings. Examples of activities include building science research, development of products and services such as the New Construction Guide, building portfolio diagnostic assessments using FirstView, modeling protocols and a building energy performance scale called zEPI.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2016

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, 2016, management views all receivables as collectible and no allowance necessary.

Contracts receivable over 90 days at June 30, 2016 and 2015 were approximately \$72,000 and \$69,600, 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, 2016

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 range from five to seven 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.

The Institute's information returns for years ended June 30, 2012 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2016

1. 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 2015

The financial information as of June 30, 2015 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Institute has evaluated all subsequent events through September 27, 2016, the date the financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Office equipment and furniture	\$ 32,390	\$ 31,320
Software and website	<u>41,965</u>	<u>8,189</u>
Total property and equipment	74,355	39,509
Accumulated depreciation and amortization	<u>(31,715)</u>	<u>(29,833)</u>
Property and equipment, net	<u>\$ 42,640</u>	<u>\$ 9,676</u>

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2016

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Advancing Momentum on Carbon Reduction Through Zero Net Energy Buildings and Communities	\$ -	\$ 368,381
Comnet Portal and Energy Use Intensity Target Development	-	24,735
Development of Energy Efficiency Policies in Oregon and Washington	-	1,732
Catalyzing Transformation of the Building Sector for a Low-Carbon Future	418,644	-
Policies and Codes including Multifamily Energy Codes Initiative	77,968	-
Water-energy Nexus of School Districts in the NW	<u>69,185</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 565,797</u>	<u>\$ 394,848</u>

4. LEASE COMMITMENT

The Institute leased its administrative offices under an operating lease which expired June 2016 for approximately \$4,700 per month. The lease was renewed subsequent to year end through June 2017 at approximately \$6,200 per month. There is an option to renew for additional year at the end of the lease term. Rent expense approximated \$58,000 and \$88,000 for the years ended June 30, 2016 and 2015, respectively.

5. 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 \$45,000 and \$44,000 for the years ended June 30, 2016 and 2015, respectively.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2016

6. 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 \$418,000 and \$380,000 as of June 30, 2016 and 2015, respectively.

The Institute's revenues are concentrated with 36% of total revenues coming from two sources for both of the years ended June 30, 2016 and 2015. The Institute's credit risk for contracts receivable is concentrated with 45% of the balances coming from three agencies for the year ended June 30, 2016 and 47% of the balances coming from one agency for the year ending June 30, 2015.

7. 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.