

NEW BUILDINGS INSTITUTE, INC.

Audited Financial Statements

For the Year Ended June 30, 2018



MCDONALD JACOBS

## 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, 2018, 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 accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited New Buildings Institute's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobson, P.C.*

Portland, Oregon  
October 30, 2018

NEW BUILDINGS INSTITUTE, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2018  
(With comparative totals for 2017)

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,085,893	\$ 1,676,123
Contracts receivable	595,038	465,329
Contributions receivable	336,000	18,729
Prepaid expenses and other assets	27,040	38,456
Property and equipment, net	33,493	31,895
 TOTAL ASSETS	 \$ 2,077,464	 \$ 2,230,532
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 339,545	\$ 124,794
Accrued personnel expenses	153,334	138,635
Deferred revenue	449,139	307,169
Total liabilities	942,018	570,598
Net assets:		
Unrestricted:		
Undesignated	1,101,953	914,018
Net property and equipment	33,493	31,895
Total unrestricted	1,135,446	945,913
Temporarily restricted	-	714,021
Total net assets	1,135,446	1,659,934
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,077,464	 \$ 2,230,532

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2018  
(With comparative totals for 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
<b>Support and revenue:</b>				
Contract service revenues	\$ 2,070,788	\$ -	\$ 2,070,788	\$ 1,571,755
Sponsorship revenues	733,892	-	733,892	573,085
Grants	-	-	-	975,000
Forum revenue	132,583	-	132,583	114,382
Other income	12,428	-	12,428	16,001
Net assets released from restrictions:				
Satisfaction of purpose restrictions	514,021	(514,021)	-	-
Satisfaction of time restrictions	200,000	(200,000)	-	-
Total support and revenue	3,663,712	(714,021)	2,949,691	3,250,223
<b>Expenses:</b>				
Program services:				
Zero energy development	851,374	-	851,374	812,614
Codes and policy	774,071	-	774,071	486,284
Building and program innovation	1,406,091	-	1,406,091	880,683
Total program services	3,031,536	-	3,031,536	2,179,581
Management and general	337,433	-	337,433	467,792
Fundraising	105,210	-	105,210	79,788
Total expenses	3,474,179	-	3,474,179	2,727,161
Change in net assets	189,533	(714,021)	(524,488)	523,062
<b>Net assets:</b>				
Beginning of the year	945,913	714,021	1,659,934	1,136,872
End of the year	\$ 1,135,446	\$ -	\$ 1,135,446	\$ 1,659,934

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2018  
(With comparative totals for 2017)

	2018						2017	
	Program Services						Total	Total
	Zero Energy Development	Codes and Policy	Building and Program Innovation	Program Services	Management and general	Fundraising	Total	Total
Salaries and related expenses	\$ 540,570	\$ 620,684	\$ 439,285	\$ 1,600,539	\$ 252,547	\$ 93,386	\$ 1,946,472	\$ 1,716,195
Project subcontractors	5,463	54,419	890,253	950,135	-	-	950,135	509,571
Project direct costs	228,638	18,905	17,505	265,048	-	-	265,048	193,064
Professional fees	3,756	3,765	2,312	9,833	24,442	490	34,765	38,633
Office supplies, telephone and other	35,088	32,359	25,550	92,997	30,504	2,789	126,290	82,435
Occupancy	20,448	22,076	18,462	60,986	11,077	7,177	79,240	76,451
Other	14,196	18,000	10,046	42,242	17,354	829	60,425	46,502
Bad debt expense	-	-	-	-	-	-	-	53,565
Depreciation and amortization	3,215	3,863	2,678	9,756	1,509	539	11,804	10,745
Total expenses	\$ 851,374	\$ 774,071	\$ 1,406,091	\$ 3,031,536	\$ 337,433	\$ 105,210	\$ 3,474,179	\$ 2,727,161

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2018  
(With comparative totals for 2017)

	2018	2017
<b>Cash flows from operating activities:</b>		
Cash received from contractors	\$ 1,765,779	\$ 1,686,779
Cash received from sponsors, grantors and other	875,832	1,676,471
Cash received from interest	3,071	1,997
Cash paid for payroll and related expenses	(1,931,774)	(1,685,787)
Cash paid for other operating expenses	<u>(1,289,735)</u>	<u>(920,663)</u>
Net cash provided by (used in) operating activities	<u>(576,827)</u>	<u>758,797</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(13,403)</u>	<u>-</u>
Net cash used in investing activities	<u>(13,403)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(590,230)	758,797
Cash and cash equivalents - beginning of year	<u>1,676,123</u>	<u>917,326</u>
Cash and cash equivalents - end of year	<u>\$ 1,085,893</u>	<u>\$ 1,676,123</u>
<b>Reconciliation of change in net assets to net cash provided by (used in) operating activities:</b>		
Change in net assets	\$ (524,488)	\$ 523,062
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,804	10,745
Bad debt expense	-	53,565
(Increase) decrease in:		
Contracts receivable	(129,708)	20,034
Contributions receivable	(317,271)	49,711
Prepaid expenses and other assets	11,416	(24,834)
Increase (decrease) in:		
Accounts payable	214,751	50,826
Accrued personnel expenses	14,699	30,409
Deferred revenue	<u>141,970</u>	<u>45,279</u>
Net cash provided by (used in) operating activities	<u>\$ (576,827)</u>	<u>\$ 758,797</u>

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

1. 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 among 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 thought 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, 2018

1. 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, 2018, management believes all receivables as collectible and no allowance for uncollectible accounts is deemed necessary.

Contracts receivable over 90 days at June 30, 2018 and 2017 were approximately \$125,500 and \$131,000, 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, 2018

1. 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 three to 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, 2018

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 2017

The financial information as of June 30, 2017 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 other subsequent events through October 30, 2018, the date the financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Office equipment and furniture	\$ 28,853	\$ 15,451
Software and website	<u>41,965</u>	<u>41,965</u>
Total property and equipment	70,818	57,416
Accumulated depreciation and amortization	<u>(37,325)</u>	<u>(25,521)</u>
Property and equipment, net	<u>\$ 33,493</u>	<u>\$ 31,895</u>

NEW BUILDINGS INSTITUTE, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2018

3. LINE OF CREDIT

The Institute had a \$150,000 line of credit with a financial institution. Interest payments were due monthly on the outstanding balance at a variable rate equal to the lender's prime rate (5.25% as of June 30, 2018). The line of credit was secured by all accounts and equipment of the Institute and matured October 2017. At June 30, 2018, the line of credit had not been renewed but was in the process of being reinstated.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
<b>Time Restricted:</b>		
Restricted for July 1, 2017 - June 30, 2018	\$ -	\$ 200,000
<b>Purpose Restricted:</b>		
Catalyzing Transformation of the Building Sector for a Low-Carbon Future	-	514,021
Total temporarily restricted net assets	\$ -	\$ 714,021

5. LEASE COMMITMENT

The Institute leased its administrative offices under an operating lease which expired June 2018 for approximately \$6,200 per month. The lease was renewed subsequent to year-end through April 2021 at approximately \$6,600 per month. There is an option to renew for an additional year at the end of the lease term. Rent expense approximated \$79,000 and \$76,000 for the years ended June 30, 2018 and 2017, respectively.

Future lease obligations under the new lease approximate the following:

Year ending December 31, 2019	\$ 77,800
2020	80,700
2021	69,200
Total	\$ 227,700

NEW BUILDINGS INSTITUTE, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
June 30, 2018

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 \$78,000 and \$69,000 for the years ended June 30, 2018 and 2017, 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 \$515,000 and \$327,000 as of June 30, 2018 and 2017, respectively.

The Institute's revenues are concentrated with 27% of total revenues coming from one source for the year ended June 30, 2018 and 54% of total revenues coming from four sources for the year ended June 30, 2017. The Institute's credit risk for contracts and contributions receivable is concentrated with 52% of the balances due from three entities at June 30, 2018 and 58% due from three entities at June 30, 2017.

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. These commitments will be funded through existing agreements the Institute has with its funders.

10. SUBSEQUENT EVENT

In July 2018, the Institute was awarded two grants totaling approximately \$975,000. These awards were anticipated to be awarded in the 2018 fiscal year and were included in the budget as projected revenue within that year as in previous years. These awards will be recognized in the year ending June 30, 2019.