

NEW BUILDINGS INSTITUTE, INC.

Audited Financial Statements

For the Year Ended June 30, 2019



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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
October 22, 2019

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,789,010	\$ 1,085,893
Contracts receivable	998,417	595,038
Other receivable	3,480	336,000
Prepaid expenses and other assets	43,477	27,040
Property and equipment, net	29,320	33,493
 TOTAL ASSETS	 \$ 2,863,704	 \$ 2,077,464
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 807,526	\$ 339,545
Accrued personnel expenses	194,213	153,334
Deferred revenue	226,373	449,139
Total liabilities	1,228,112	942,018
Net assets:		
Without donor restrictions:		
Undesignated	1,387,043	1,101,953
Net property and equipment	29,320	33,493
Total without donor restrictions	1,416,363	1,135,446
With donor restrictions	219,229	-
Total net assets	1,635,592	1,135,446
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,863,704	 \$ 2,077,464

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contract service revenues	\$ 3,492,084	\$ -	\$ 3,492,084	\$ 2,070,788
Sponsorship revenues	547,165	-	547,165	733,892
Grants	200,000	986,000	1,186,000	-
Forum revenue	-	-	-	132,583
Other income	14,377	-	14,377	12,428
Net assets released from restrictions:				
Satisfaction of purpose restrictions	766,771	(766,771)	-	-
Total support and revenue	5,020,397	219,229	5,239,626	2,949,691
Expenses:				
Program services:				
Zero energy development	527,255	-	527,255	851,374
Codes and policy	1,050,888	-	1,050,888	774,071
Building and program innovation	2,780,375	-	2,780,375	1,406,091
Total program services	4,358,518	-	4,358,518	3,031,536
Management and general	334,312	-	334,312	337,433
Fundraising	46,650	-	46,650	105,210
Total expenses	4,739,480	-	4,739,480	3,474,179
Change in net assets	280,917	219,229	500,146	(524,488)
Net assets:				
Beginning of the year	1,135,446	-	1,135,446	1,659,934
End of the year	\$ 1,416,363	\$ 219,229	\$ 1,635,592	\$ 1,135,446

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Program Services			Management and general	Fundraising	Total
	Zero Energy Development	Codes and Policy	Building and Program Innovation			
Salaries and related expenses	\$ 405,851	\$ 875,796	\$ 559,912	\$ 249,060	\$ 41,973	\$ 2,132,592
Project subcontractors	40,975	55,534	1,806,627	-	-	1,903,136
Project direct costs	29,990	28,164	348,731	-	-	406,885
Professional fees	3,448	6,511	4,158	25,285	70	39,472
Office supplies, telephone and other	18,662	33,564	22,875	32,662	2,144	109,907
Occupancy	15,412	29,449	20,673	13,206	1,752	80,492
Other	10,092	15,924	13,759	12,342	403	52,520
Depreciation and amortization	2,825	5,946	3,640	12,411	1,757	14,476
Total expenses	\$ 527,255	\$ 1,050,888	\$ 2,780,375	\$ 4,358,518	\$ 334,312	\$ 4,739,480

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018

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

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Cash received from contractors	\$ 3,198,459	\$ 1,765,779
Cash received from sponsors, grantors and other	1,740,074	875,832
Cash received from interest	7,468	3,071
Cash paid for payroll and related expenses	(2,091,713)	(1,931,774)
Cash paid for other operating expenses	<u>(2,140,868)</u>	<u>(1,289,735)</u>
Net cash flows from operating activities	<u>713,420</u>	<u>(576,827)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(12,231)</u>	<u>(13,403)</u>
Net cash flows from investing activities	<u>(10,303)</u>	<u>(13,403)</u>
Net change in cash and cash equivalents	703,117	(590,230)
Cash and cash equivalents - beginning of year	<u>1,085,893</u>	<u>1,676,123</u>
Cash and cash equivalents - end of year	<u>\$ 1,789,010</u>	<u>\$ 1,085,893</u>
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 500,146	\$ (524,488)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	14,476	11,804
(Increase) decrease in:		
Contracts receivable	(403,379)	(129,708)
Contributions receivable	332,520	(317,271)
Prepaid expenses and other assets	(16,437)	11,416
Increase (decrease) in:		
Accounts payable	467,981	214,751
Accrued personnel expenses	40,879	14,699
Deferred revenue	<u>(222,766)</u>	<u>141,970</u>
Net cash flows from operating activities	<u>\$ 713,420</u>	<u>\$ (576,827)</u>

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 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
June 30, 2019

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

Net Assets

Net assets, revenues, gains, and losses 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

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 and reflected in an allowance for uncollectible accounts. Receivables are written off as a charge to the allowance when management deems the balance is uncollectible. As of June 30, 2019, management believes all receivables as collectible and no allowance for uncollectible accounts is deemed necessary.

Contracts receivable over 90 days at June 30, 2019 and 2018 were approximately \$82,300 and \$125,500, 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.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

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

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.

Depreciation and Amortization

Depreciation of property and equipment and amortization of software and website costs are calculated using the straight-line method over the estimated useful lives of the assets which range from three to five years.

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.

Functional Expenses

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. The expenses that are allocated include salaries and related expenses, occupancy, depreciation, professional services, office expenses, and other, which are allocated on the basis of employee equivalents.

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. Based on certain tax law changes, the Institute may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Institute has no other activities subject to unrelated business income tax. The Institute is not a private foundation.

The Institute follows the provisions of FASB ASC *Topic 470 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, 2019

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

Change in Accounting Principle

The Institute has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting and has been retroactively applies to all periods presented, except for the availability of resources and liquidity disclosure (see Note 2).

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 2018

The financial information as of June 30, 2018 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 22, 2019, the date the financial statements were available to be issued.

2. AVAILABLE RESOURCES AND LIQUIDITY

The Institute regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Institute considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

2. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Institute consist of the following at June 30, 2019:

	Total Financial Assets	With Donor Restrictions	Available for General Expenditure
Cash and cash equivalents	\$ 1,789,010	\$ 219,229	\$ 1,569,781
Contracts receivable	<u>998,417</u>	<u>-</u>	<u>998,417</u>
Total financial assets	<u>\$ 2,787,427</u>	<u>\$ 219,229</u>	<u>\$ 2,568,198</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Office equipment and furniture	\$ 36,630	\$ 28,853
Software and website	<u>41,965</u>	<u>41,965</u>
Total property and equipment	78,595	70,818
Accumulated depreciation and amortization	<u>(49,275)</u>	<u>(37,325)</u>
Property and equipment, net	<u>\$ 29,320</u>	<u>\$ 33,493</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Expiring restrictions:		
Time restricted	\$ 166,000	\$ -
Purpose restricted:		
Building and Program Innovation	<u>53,229</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 219,229</u>	<u>\$ -</u>

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

5. LEASE COMMITMENT

The Institute leases its administrative offices under an operating lease which expires April 2021 at approximately \$6,600 per month. The lease is cancellable with 90 days notice. Rent expense approximated \$80,000 and \$79,000 for the years ended June 30, 2019 and 2018, respectively.

Future lease obligations under the lease are as follows:

Year ending December 31, 2020	\$ 80,720
2021	<u>69,200</u>
Total	<u>\$ 149,920</u>

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 \$84,000 and \$78,000 for the years ended June 30, 2019 and 2018, 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 \$304,700 and \$515,000 as of June 30, 2019 and 2018, respectively.

The Institute's revenues are concentrated with 53% of total revenues coming from two sources for the year ended June 30, 2019 and 27% of total revenues coming from one source for the year ended June 30, 2018. The Institute's credit risk for contracts and contributions receivable is concentrated with 49% of the balances due from one entity at June 30, 2019 and 52% due from three entities at June 30, 2018.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2019

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.