McDONALD JACOBS
ACCOUNTANTS & CONSULTANTS

AUDIT COMMUNICATION LETTER

October 30, 2018

To the Board of Directors
New Buildings Institute, Inc.

We have audited the financial statements of New Buildings Institute, Inc. (the Institute) as of and for the year ended June 30, 2018, and have issued our report thereon dated October 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 7, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by New Buildings Institute are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Institute during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Estimates significant to the financial statements include the following:

> Indirect expense allocation: Management's estimate of the allocation of indirect expenses is based on employee equivalents.

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Allowance for uncollectible accounts: Management's estimate of contracts and contributions receivable is based on historical collection rates and an analysis of the collectability of individual promises. Management has determined that all amounts appear collectable at June 30, 2018 and no allowance is necessary.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. See attached schedule of audit adjustments for misstatements detected as a result of audit procedures and corrected by management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 30, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Institute's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Institute's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

* * * * *

This information is intended solely for the use of the Board of Directors and management of New Buildings Institute, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

McDonald Jacobs, P.C.

NEW BUILDINGS INSTITUTE
SCHEDULE OF AUDIT ADJUSTMENTS
For the year ended June 30, 2018

	Increase (Decrease)			
	Total Assets	Total Liabilities	Ending Net Assets	Change in Net Assets
Management provided entry:				
To record additional forum sponsorship receivable	$ 11,750	$ -	$ 11,750	$ 11,750
Audit adjustment:				
To recognize forum sponsorship revenue	-	(10,000)	10,000	10,000
Impact of adjustments on:	$ 11,750	$ (10,000)	$ 21,750	$ 21,750

MANAGEMENT LETTER

October 30, 2018

To the Board of Directors
New Buildings Institute

In planning and performing our audit of the financial statements of New Buildings Institute (the Institute) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

During our audit, if we become aware of areas where there are opportunities for strengthening internal controls and operating efficiency, we communicate our findings and suggestions in this letter. Our comments are summarized below. This letter does not affect our report dated October 30, 2018, on the financial statements of New Buildings Institute.

CURRENT YEAR RECOMMENDATIONS

Reconciliation of Forum Fees Revenue

The Institute did not reconcile the total forum sponsorships that were owed at year-end. The result was the Institute needed to record an adjustment to reflect approximately $12,000 of unpaid forum agreements. The Institute is aware this reconciliation must be completed periodically and has implemented the procedures to address this recommendation going forward.

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PRIOR YEAR RECOMMENDATIONS

Review of CEO Expense Reimbursement and Credit Card Charges
The Institute does not have a regular process in place for the Board to review any expense reimbursements or credit card charges submitted by the CEO. A best practice would be for periodic review by the Board Treasurer or Finance Committee for any charges and reimbursements submitted by the CEO.

> **Status**: Procedures implemented.

Credit Card Limit and Policies
The Institute maintains two credit cards; one credit card with a $25,000 limit. Based on use during the current year, and to improve controls over purchases, we recommended considering lowering the credit limit to a lesser amount based on typical necessary expenditures.

> **Status**: The credit card limit remains at $25,000 limit. The Institute reviewed this recommendation and is considering reducing the credit limit to $15,000.
>
> We recommended the Institute establish a corporate account and policy regarding the accumulation and use of incentives (travel miles, points) associated with credit card purchases.

Review of State Registrations for Charitable Solicitation
State requirements for charitable solicitation will vary; however, most states require organizations to register with a state agency before soliciting contributions. As the Institute solicits sponsorships from businesses and organizations in multiple states, we recommended a review of state requirements prior to solicitation.

> **Status**: It is our understanding that the Organization is current on all its state registrations. In addition, as the Institute begins to conduct operations and have a more significant presence in other jurisdictions outside of Oregon, this might also trigger registration requirements or have tax implications.

* * * * *

We wish to thank Ralph DiNola, Mary Hansel, and the staff of New Buildings Institute for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Institute.

McDonald Jacobs, P.C.

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.

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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 Jacobs, 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
ASSETS		
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
LIABILITIES AND NET ASSETS		
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
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
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
Expenses:				
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
Net assets:				
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							
	Program Services							
	Zero Energy Development	Codes and Policy	Building and Program Innovation	Total Program Services	Management and general	Fundraising	Total	2017 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
Cash flows from operating activities:		
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	(1,289,735)	(920,663)
Net cash provided by (used in) operating activities	(576,827)	758,797
Cash flows from investing activities:		
Purchase of property and equipment	(13,403)	-
Net cash used in investing activities	(13,403)	-
Net increase (decrease) in cash and cash equivalents	(590,230)	758,797
Cash and cash equivalents - beginning of year	1,676,123	917,326
Cash and cash equivalents - end of year	$ 1,085,893	$ 1,676,123
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
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	141,970	45,279
Net cash provided by (used in) operating activities	$ (576,827)	$ 758,797

See notes to financial statements.

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*.

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.

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.

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:

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

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
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
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

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.

nbi new buildings institute

celebrating **20 YEARS**

October 30, 2018

McDonald Jacobs, P.C.
520 SW Yamhill, Suite 500
Portland, Oregon 97204

This representation letter is provided in connection with your audit of the financial statements of New Buildings Institute, Inc. (the Institute), 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, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 7, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. The effects of all known actual or possible litigation, claims, and assessments, if any, have been accounted for and disclosed in accordance with U.S. GAAP.

9. Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

10. Guarantees, whether written or oral, under which the Institute is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

11. We have provided you with:

a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

b. Additional information that you have requested from us for the purpose of the audit.

c. Unrestricted access to persons within the Institute from whom you determined it necessary to obtain audit evidence.

d. Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of any fraud or suspected fraud that affects the Institute and involves:

a. Management,
b. Employees who have significant roles in internal control, or
c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Institute's financial statements communicated by employees, former employees, grantors, regulators, or others.

16. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

17. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or

disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

18. We have disclosed to you the identity of the Institute's related parties and all the related party relationships and transactions of which we are aware.

19. Except as disclosed regarding the line of credit, the Institute has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

20. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

21. New Buildings Institute is an exempt organization under Section 501(c)(3) of the Internal Revenue Code of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Institute's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

22. We are in agreement with the adjusting journal entry you have recommended and it has been posted to the Institute's accounts.

23. As part of your audit, you prepared the draft financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

24. In regards to the nonattest services performed by you (preparation of information returns, proposed journal entry), we have:

a. Assumed all management responsibilities.
b. Designated an individual with suitable skill, knowledge, or experience to oversee the services.
c. Evaluated the adequacy and results of the services performed.
d. Accepted responsibility for the results of the services.

Signed: Mary L Hansel Title: Controller
Mary Hansel

Signed: [signature] Title: CEO
Ralph DiNola

McDONALD JACOBS
ACCOUNTANTS & CONSULTANTS

Presentation of Audit Summary

NEW BUILDINGS INSTITUTE

Year Ended June 30, 2018

Draft Packet:

- Audit communication letter
- Audited financial statements
- Management letter

Audit Communication Letter

- No significant changes to accounting policies
- Financial statements include estimates; the most significant are:
  - Collectability of receivables
  - Indirect expense allocation
- Estimates are routine and nothing unusual was noted
- No disagreements on accounting matters or difficulties in dealing with management
- 2 minor entries to recognize forum sponsorship activity ($20k)

Audited Financial Statements

- Auditor's report
- Statement of Financial Position
- Statement of Activities
- Statement of Functional Expenses
- Statement of Cash Flows

Auditor's report

- Management responsible for the financial statements

- Auditor's responsibility:
  - Follow generally accepted auditing standards
  - Perform audit including examination on a ***test basis***, considers internal controls however no opinion over internal controls

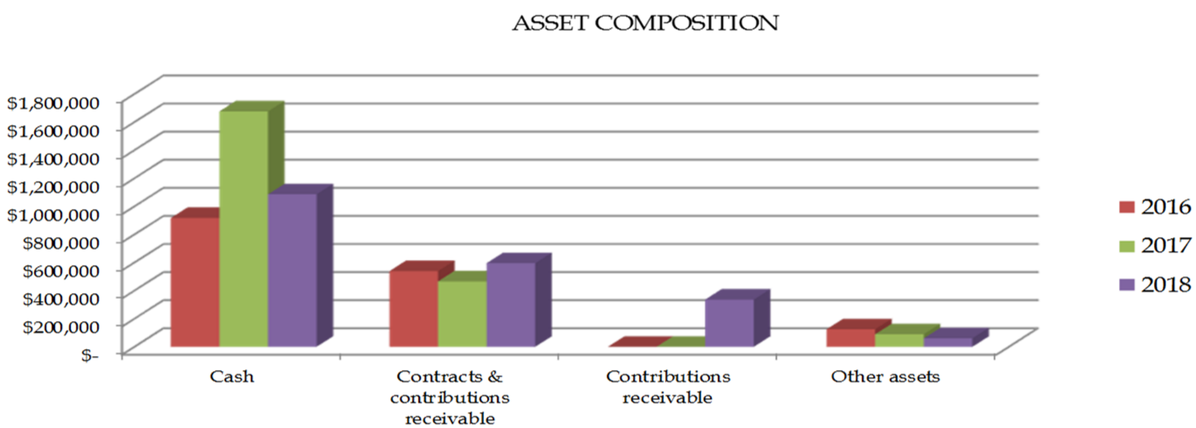
- Unmodified "Clean" opinion

Fiscal 2018 Theme

Statement of Financial Position

		2016	2017	**2018**	2018 vs. 2017 $ change	% change
1	Cash	$ 917,326	$ 1,676,123	**$ 1,085,893**	$ (590,230)	-35.2%
2	Contracts & contributions receivable	538,928	465,329	**595,038**	129,709	27.9%
3	Contributions receivable	-	-	**336,000**	336,000	100.0%
4	Other assets	124,702	89,080	**60,533**	(28,547)	-32.0%
5	Total assets	$ 1,580,956	$ 2,230,532	**$ 2,077,464**	$ (153,068)	-6.9%
6	Days cash on hand	190.47	225.22	**114.47**		

	Current	1-30	31-60	61-90	>90
Contracts receivable aging - 2016	18%	21%	28%	20%	13%
Contracts receivable aging - 2017	44%	21%	1%	7%	27%
Contracts receivable aging - 2018	38%	33%	2%	8%	19%



McDONALD JACOBS
ACCOUNTANTS & CONSULTANTS

Statement of Financial Position

		2016	2017	2018	2018 vs. 2017 $ change	2018 vs. 2017 % change
7	Accounts payable and accrued personnel	$ 182,194	$ 263,429	**$ 492,879**	$ 229,450	87.1%
8	Deferred revenue	261,890	307,169	**449,139**	141,970	46.2%
	Total liabilities	444,084	570,598	**942,018**	371,420	65.1%
	Net assets:					
9	Urestricted	$ 571,075	$ 945,913	**$ 1,135,446**	$ 189,533	20.0%
10	Temporarily restricted	565,797	714,021	**-**	(714,021)	-100.0%
11	Total net assets	$ 1,136,872	$ 1,659,934	**$ 1,135,446**	$ (524,488)	-31.6%

	2018	2017
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
Total temporarily restricted net assets	$ -	$ 714,021

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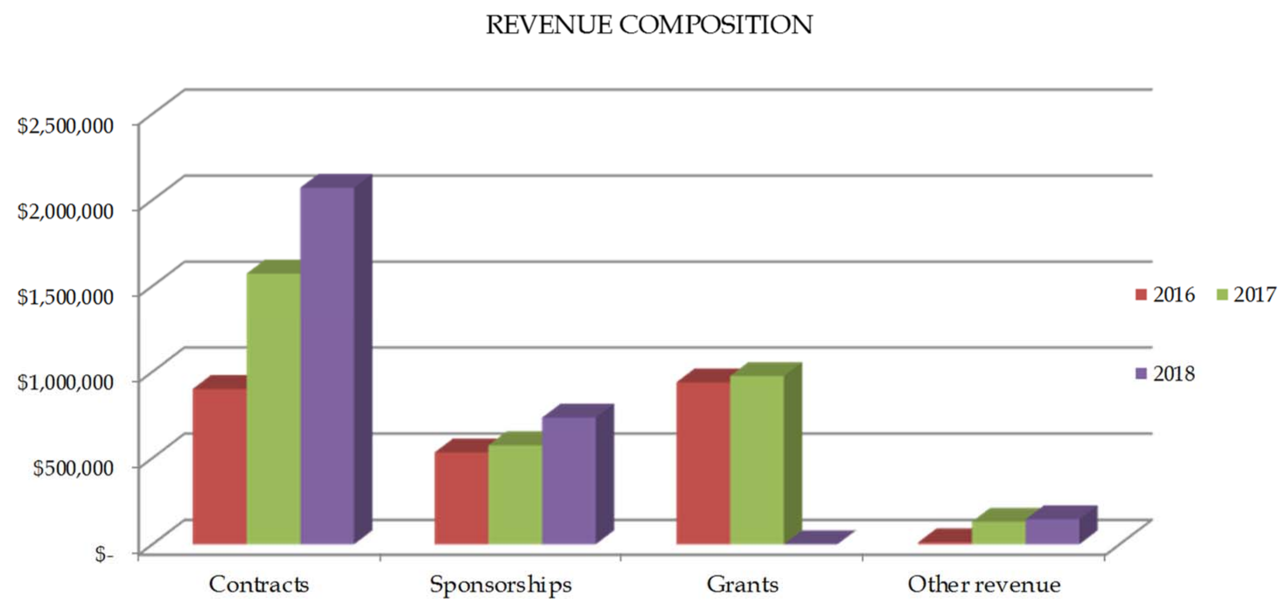
Statement of Activities-Revenues

								2018 vs. 2017	
			2016		2017		**2018**	$ change	% change
1	Contracts	$	900,308	$	1,571,755	**$**	**2,070,788**	$ 499,033	31.8%
2	Sponsorships		532,056		573,085		**733,892**	160,807	28.1%
3	Grants		938,000		975,000		**-**	(975,000)	-100.0%
4	Other revenue		10,751		130,383		**145,011**	14,628	11.2%
5	Total revenue		2,381,115		3,250,223		**2,949,691**	(300,532)	-9.2%



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Statement of Activities-Expenses

			2016		2017		**2018**	2018 vs. 2017 $ change	% change
6	Program services	$	1,382,965	$	2,179,581	$	**3,031,536**	$ 851,955	39.1%
7	Administration		301,687		467,792		**337,433**	(130,359)	-27.9%
8	Fundraising		80,162		79,788		**105,210**	25,422	31.9%
9	Total expenses	$	1,764,814	$	2,727,161	$	**3,474,179**	$ 747,018	27.4%
10	Change in net assets	$	616,301	$	523,062	$	**(524,488)**	$ (1,047,550)	-200.3%

				National Averages	State Averages
Program expense percentage	78%	80%	**87%**	>78%	80%

National Averages	**Prog**	**Mgmt/Dev**
Human Services	80%	20%
Arts & Culture	72%	28%
Education	80%	20%
Health	79%	21%
Environment & Animals	78%	22%
Portland Metro Averages	**Prog**	**Mgmt/Dev**
(Charity Navigator 2017)	80.6%	19.4%

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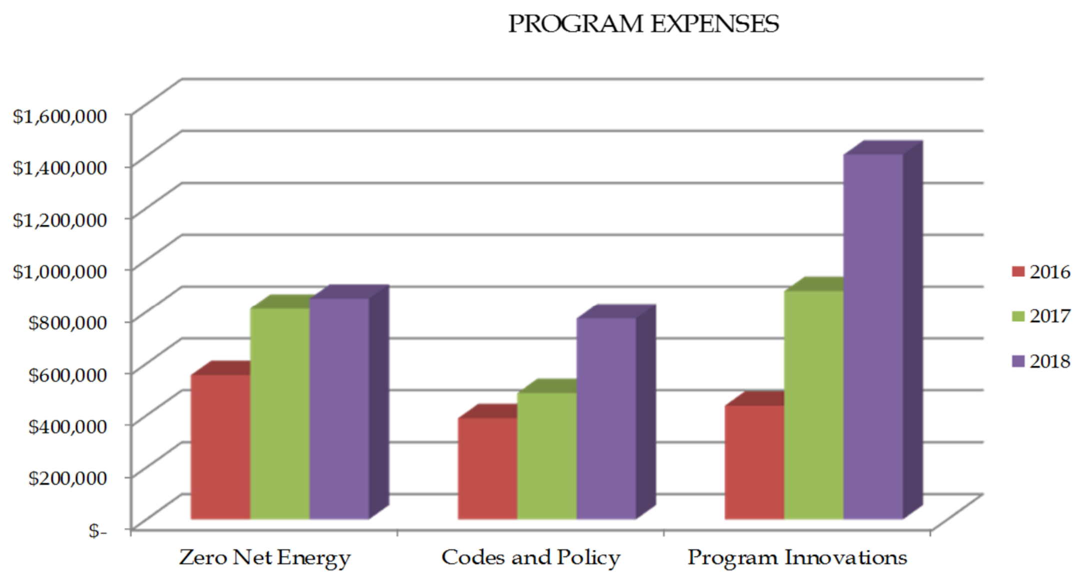
Program Expenses

		2016	2017	**2018**	2018 vs. 2017 $ change	2018 vs. 2017 % change
1	Zero Net Energy	$ 555,634	$ 812,614	**$ 851,374**	$ 38,760	4.8%
2	Codes and Policy	389,446	486,284	**774,071**	287,787	59.2%
3	Program Innovations	437,885	880,683	**1,406,091**	525,408	59.7%
4	Total program expenses	1,382,965	$ 2,179,581	**$ 3,031,536**	$ 851,955	39.1%



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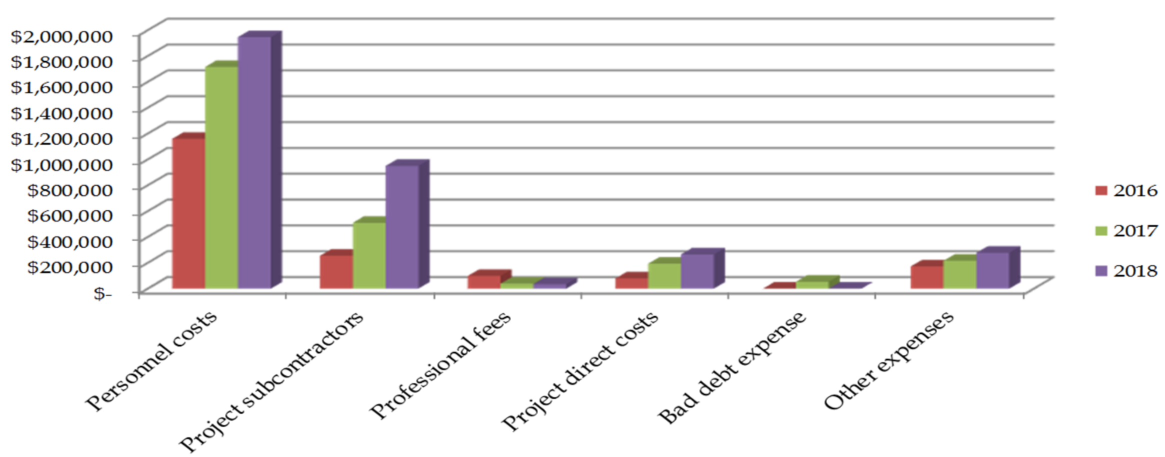
Natural Expenses

					2018 vs. 2017	
		2016	2017	**2018**	$ change	% change
1	Personnel costs	$ 1,160,114	$ 1,716,195	**$ 1,946,472**	$ 230,277	13.4%
2	Project subcontractors	255,188	509,571	**950,135**	440,564	86.5%
3	Professional fees	97,988	38,633	**34,765**	(3,868)	-10.0%
4	Project direct costs	79,496	193,064	**265,048**	71,984	37.3%
5	Bad debt expense	-	53,565	**-**	(53,565)	100.0%
6	Other expenses	172,028	216,133	**277,759**	61,626	28.5%
7	Total expenses	$ 1,764,814	$ 2,727,161	**$ 3,474,179**	$ 747,018	27.4%

EXPENSE COMPOSITION



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Statement of Cash Flows

	2016	2017	2018
Cash flow from operations	$ 331,193	$ 758,797	$ (576,827)
Cash flow from investing	(39,859	-	(13,403)
Cash flow from financing	-	--	--
Net change in cash position	$ 291,334	$758,797	$(590,230)
Net income (loss)	$616,301	$523,602	$(524,488)

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Notes to the Financial Statements

- Highlights:
- Note 1 – Programs defined
- Note 3 – Line of credit
- Note 5 – Lease commitment (expires April 2021)
- Note 6 – Concentrations
  - 27% of revenues from 1 sources (54% from 4, 2017)
  - 52% of receivables from 3 sources (58% from 3, 2017)
- Note 10 – Subsequent event (new) (July 2018 grant awards)

Management Letter

- Recommendation:
  - Reconciliation of forum fee activity to accounting records
- Prior Year Recommendations:
  - Periodic review of CEO expense reimbursement and credit card charges by Finance Committee member - Implemented
  - Reduce credit card limit – limit deemed acceptable
  - Review state registration requirements for charitable solicitations – Implemented

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Upcoming

- Nonprofit reporting model (fiscal 2019)
- Revenue recognition (fiscal 2020)
- Leases (fiscal 2021)

Questions?

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