

NEW BUILDINGS INSTITUTE, INC.

Audited Financial Statements

For the Year Ended June 30, 2021



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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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, 2021

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With comparative totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 2,769,498	\$ 3,022,729
Contracts receivable	897,728	408,464
Prepaid expenses and other assets	77,646	43,911
Property and equipment, net	22,113	24,245
 TOTAL ASSETS	 \$ 3,766,985	 \$ 3,499,349
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 371,058	\$ 258,518
Accrued personnel expenses	349,976	211,911
Deferred revenue	527,343	497,698
Refundable advance	-	393,475
Total liabilities	1,248,377	1,361,602
Net assets:		
Without donor restrictions:		
Undesignated	2,114,138	1,803,084
Net property and equipment	22,113	24,245
Total without donor restrictions	2,136,251	1,827,329
With donor restrictions	382,357	310,418
Total net assets	2,518,608	2,137,747
 TOTAL LIABILITIES AND NET ASSETS	 \$ 3,766,985	 \$ 3,499,349

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021
(With comparative totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contract service revenues	\$ 2,485,740	\$ -	\$ 2,485,740	\$ 2,812,477
Sponsorship revenues	492,876	-	492,876	778,697
Grants and contributions	180,000	1,000,000	1,180,000	1,347,500
Government grant - Paycheck Protection Program loan	393,475	-	393,475	-
Forum revenue	-	-	-	217,121
Other income	16,634	-	16,634	23,379
Net assets released from restrictions:				
Satisfaction of program restrictions	617,643	(617,643)	-	-
Satisfaction of time restrictions	310,418	(310,418)	-	-
Total support and revenue	<u>4,496,786</u>	<u>71,939</u>	<u>4,568,725</u>	<u>5,179,174</u>
Expenses:				
Program services:				
Zero energy development	627,657	-	627,657	1,100,526
Codes and policy	1,322,332	-	1,322,332	1,125,220
Building and program innovation	1,583,935	-	1,583,935	1,904,490
Total program services	<u>3,533,924</u>	<u>-</u>	<u>3,533,924</u>	<u>4,130,236</u>
Management and general	567,899	-	567,899	469,114
Fundraising	86,041	-	86,041	77,669
Total expenses	<u>4,187,864</u>	<u>-</u>	<u>4,187,864</u>	<u>4,677,019</u>
Change in net assets	308,922	71,939	380,861	502,155
Net assets:				
Beginning of the year	<u>1,827,329</u>	<u>310,418</u>	<u>2,137,747</u>	<u>1,635,592</u>
End of the year	<u>\$ 2,136,251</u>	<u>\$ 382,357</u>	<u>\$ 2,518,608</u>	<u>\$ 2,137,747</u>

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021
(With comparative totals for 2020)

	2021							2020 Total
	Zero Energy Development	Codes and Policy	Building and Program Innovation	Total Program Services	Management and general	Fundraising	Total	
Salaries and related expenses	\$ 430,534	\$ 1,033,054	\$ 797,715	\$ 2,261,303	\$ 446,466	\$ 79,897	\$ 2,787,666	\$ 2,436,060
Project subcontractors	119,908	189,593	691,532	1,001,033	-	-	1,001,033	693,137
Project direct costs	34,643	6,270	19,099	60,012	-	-	60,012	1,226,398
Professional fees	3,264	7,741	6,363	17,368	64,092	95	81,555	64,432
Office, technology and other	15,977	39,796	34,475	90,248	18,181	1,888	110,317	112,792
Occupancy	17,635	32,225	23,298	73,158	22,034	3,097	98,289	82,844
Other operating expenses	3,289	7,997	7,032	18,318	14,611	586	33,515	42,539
Depreciation and amortization	2,407	5,656	4,421	12,484	2,515	478	15,477	18,817
Total expenses	\$ 627,657	\$ 1,322,332	\$ 1,583,935	\$ 3,533,924	\$ 567,899	\$ 86,041	\$ 4,187,864	\$ 4,677,019

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021
(With comparative totals for 2020)

	2021	2020
Cash flows from operating activities:		
Cash received from contractors	\$ 2,026,121	\$ 3,673,755
Cash received from sponsors, grantors and other	1,682,665	2,354,157
Cash received from interest	6,845	13,067
Cash received from refundable advance	-	393,475
Cash paid for payroll and related expenses	(2,649,600)	(2,418,362)
Cash paid for other operating expenses	(1,302,708)	(2,768,104)
Net cash flows from operating activities	(236,677)	1,247,988
Cash flows from investing activities:		
Purchase of property and equipment	(16,554)	(14,269)
Net cash flows from investing activities	(16,554)	(14,269)
Net change in cash and cash equivalents	(253,231)	1,233,719
Cash and cash equivalents - beginning of year	3,022,729	1,789,010
Cash and cash equivalents - end of year	\$ 2,769,498	\$ 3,022,729
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 380,861	\$ 502,155
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	15,477	18,817
Loss on disposal	3,209	527
Non-cash recognition of refundable advance	(393,475)	-
(Increase) decrease in:		
Contracts receivables	(489,264)	589,953
Prepaid expenses and other assets	(33,735)	3,046
Increase (decrease) in:		
Accounts payable	112,540	(549,008)
Accrued personnel expenses	138,065	17,698
Deferred revenue	29,645	271,325
Refundable advance	-	393,475
Net cash flows from operating activities	\$ (236,677)	\$ 1,247,988

See notes to financial statements.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 energy and carbon neutral buildings. This program utilizes these multiple strategy areas to help build market capability and capacity, raise awareness and create advocates that will continue the current momentum for a transformation of the built environment to a standard of ultra-efficient, low-embodied carbon buildings that consume only as much energy as they produce through clean, renewable resources located onsite and within the community.

The Getting to Zero Forum convenes leading policymakers, design professionals, systems manufacturers, and others dedicated to zero energy and zero carbon buildings to connect, learn and collaborate.

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, 2021

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, 2021 and 2020, management believes all receivables as collectible and no allowance for uncollectible accounts is deemed necessary. Contracts receivable over 90 days at June 30, 2021 and 2020 were approximately \$14,800 and \$16,800, respectively.

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, 2021

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

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

Revenues from various sources are recognized as follows:

Contract service revenues: 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. Conditional contract revenue, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Institute has remaining balances on existing contracts through December 2024 of approximately \$3.2 million that will be recognized upon performance.

Sponsorship revenues: Sponsorships are recorded as revenue at the time of the commitment unless commensurate value is included as a part of the agreement. The portion of the sponsorship revenue that relates to commensurate value of the sponsor received in return is recognized when the performance obligations are met. Monies received in advance of incurring expenses are recorded as deferred revenue until earned.

Grants and contributions: Grants and 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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Bequests are recorded as revenue at the time the Institute has an established right to the bequest and the proceeds are measurable.

Forum revenue: Revenue from the forum, a bi-annual industry conference, is recognized in the period in which the forum occurs.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

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

Revenue Recognition, Continued

Refundable Advance: Paycheck Protection Program Loan

The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. The Institute satisfied the conditions during 2021 and recognized revenue of \$393,475.

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 and amortization, professional fees, office, technology and other 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. 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 740 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.

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.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

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

Summarized Financial Information for 2020

The financial information as of June 30, 2020 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, 2021, 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.

Financial assets of the Institute consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 2,769,498	\$ 3,022,729
Contracts receivable	<u>897,728</u>	<u>408,464</u>
	3,667,226	3,431,193
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>382,357</u>	<u>310,418</u>
Financial assets available for general expenditure	<u>\$ 3,284,869</u>	<u>\$ 3,120,775</u>

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Office equipment and furniture	\$ 34,623	\$ 47,195
Software and website	<u>41,436</u>	<u>41,965</u>
Total property and equipment	76,059	89,160
Accumulated depreciation and amortization	<u>(53,946)</u>	<u>(64,915)</u>
Property and equipment, net	<u>\$ 22,113</u>	<u>\$ 24,245</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Expiring restrictions:		
Time restricted	\$ 294,012	\$ 310,418
Purpose restricted:		
Codes and Policy	<u>88,345</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 382,357</u>	<u>\$ 310,418</u>

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings and cash collections may result in billed accounts receivable (contract asset) and customer advances and advanced payments (contract liabilities). Total revenue by contract type is as follows for the years ended June 30, 2021 and 2020:

Revenue by type:	<u>2021</u>	<u>2020</u>
Contract services (performance)	\$ 2,485,740	\$ 2,812,477
Sponsorships (performance)	492,876	778,697
Forum (occurrence)	<u>-</u>	<u>217,121</u>
Total contract revenue	<u>\$ 2,978,616</u>	<u>\$3,808,295</u>

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

5. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

- ! Contract service arrangements are recognized upon the performance of services or deliverable. Payments on time and materials are generally paid in arrears upon the incurrence of allowable expenditures.
- ! Sponsorships include performance obligations and deliverables to be satisfied over time. The Institute estimates costs incurred to be the most reasonable input for the achievement of milestones under sponsorship arrangements.
- ! Revenue for events for which participants pay a registration fee is recognized when the event occurs. These deposits are liquidated when revenue is recognized. Event sponsorships are non-refundable, are often received in advance of events and result in contract liabilities (deferred revenue) until the event occurs and revenue is recognized.

The beginning and ending contract balances are as follows:

	June 30,		
	2021	2020	2019
Accounts receivable (contract asset)			
Contract services	\$ 786,561	\$ 328,464	\$ 852,142
Sponsorships	111,167	50,000	40,000
Forum	-	30,000	106,275
Total accounts receivable	<u>\$ 897,728</u>	<u>\$ 408,464</u>	<u>\$ 998,417</u>
Deferred revenue (contract liability):			
Contract services	\$ 103,914	\$ 371,877	\$ -
Sponsorships	418,993	125,821	157,110
Forum	4,436	-	69,263
Total deferred revenue	<u>\$ 527,343</u>	<u>\$ 497,698</u>	<u>\$ 226,373</u>

Revenue recognized for the years ended June 30, 2021 and 2020 that was included in the contract liability balance at the beginning of each year was \$497,698 and \$226,373, respectively.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

6. LEASE COMMITMENT

The Institute leased its administrative office under an extended operating lease which expired June 2021, and was approximately \$7,000 per month. Rent expense approximated \$85,000 and \$83,000 for the years ended June 30, 2021 and 2020, respectively.

Effective October 1, 2021, the Organization executed a new 60-month lease through September 2026. Monthly payments are \$6,528 with annual increases. Future minimum lease payments under the lease are as follows:

Year ending June 30, 2022	\$ 58,800
2023	86,600
2024	89,200
2025	91,900
2026	94,700
Thereafter	<u>29,400</u>
Total	<u>\$ 450,600</u>

7. 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 \$105,000 and \$95,000 for the years ended June 30, 2021 and 2020, respectively.

8. 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 \$734,800 and \$332,200 as of June 30, 2021 and 2020, respectively.

The Institute's revenues are concentrated with 29% of total revenues coming from two sources during the year ended June 30, 2021 and 55% of total revenues coming from two sources during the year ended June 30, 2020. The Institute's credit risk for contracts receivable is concentrated with 46% of the balances due from one entity at June 30, 2021 and 50% due from three entities at June 30, 2020.

NEW BUILDINGS INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

9. 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.

10. 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.

11. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Institute if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.