FRESH ENERGY

(A Non-Profit Corporation)

AUDITED FINANCIAL STATEMENTS

Year Ended January 31, 2022
with comparative totals for 2021

Mayer Hoffman McCann P.C.
1000 Campbell Mithun Tower, 222 S. Ninth St. ■ Minneapolis, MN 55402
Main: 612.339.7811 ■ Fax: 612.339.9845 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

FRESH ENERGY

Opinion

We have audited the accompanying financial statements of Fresh Energy (the Organization), which comprise the statement of financial position as of January 31, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of January 31, 2022, and the 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Fresh Energy's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
July 19, 2022

FRESH ENERGY

STATEMENTS OF FINANCIAL POSITION

January 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,887,578	$ 3,415,141
Investments - certificates of deposit	354,353	352,706
Investments	215,276	209,648
Promises to give receivable, less than 1 year	2,202,031	1,987,715
Prepaid expenses	64,319	53,511
TOTAL CURRENT ASSETS	7,723,557	6,018,721
PROPERTY AND EQUIPMENT		
Equipment	460,722	119,825
Leasehold Improvements	433,153	-
Construction in progress	-	192,659
Less accumulated depreciation	(205,432)	(98,792)
NET PROPERTY AND EQUIPMENT	688,443	213,692
OTHER ASSETS		
Promises to give receivable, more than 1 year	1,282,051	668,750
TOTAL ASSETS	$ 9,694,051	$ 6,901,163
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 275,559	$ 75,560
Accrued expenses	149,955	118,300
TOTAL CURRENT LIABILITIES	425,514	193,860
PPP loan payable	-	374,500
Deferred lease incentive	155,208	49,398
TOTAL LONG-TERM LIABLITIES	155,208	423,898
TOTAL LIABILITES	580,722	617,758
NET ASSETS		
NET ASSETS		
Without donor restrictions	2,360,975	1,519,267
With donor restrictions	6,752,354	4,764,138
TOTAL NET ASSETS	9,113,329	6,283,405
TOTAL LIABILITIES AND NET ASSETS	$ 9,694,051	$ 6,901,163

See Notes to Financial Statements

FRESH ENERGY

STATEMENTS OF ACTIVITIES

For the Year Ended January 31, 2022
With Comparative Totals for 2021

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
PUBLIC SUPPORT AND REVENUE				
Contributions and grants	$ 702,789	$ 6,861,137	$ 7,563,926	$ 7,911,465
Special events revenue	412,730	-	412,730	332,047
Direct costs related to special events	(15,494)	-	(15,494)	(15,209)
Investment return	23,431	-	23,431	64,673
Other revenue	5,420	-	5,420	4,620
Gain on extinguishment of PPP note payable	374,500	-	374,500	-
Net assets released from restrictions	4,872,921	(4,872,921)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	6,376,297	1,988,216	8,364,513	8,297,596
EXPENSES				
PROGRAM SERVICES				
Public Affairs	439,930	-	439,930	344,887
Clean Electricity	789,652	-	789,652	825,713
Energy Transition	1,752,765	-	1,752,765	1,523,803
Center for Pollinators and Energy	149,794	-	149,794	209,802
Energy News Network	1,149,391	-	1,149,391	1,040,598
Energy Access & Equity	358,862	-	358,862	237,399
TOTAL PROGRAM SERVICES	4,640,394	-	4,640,394	4,182,202
SUPPORTING SERVICES				
General and administrative	635,581	-	635,581	429,898
Fund raising	258,614	-	258,614	208,548
TOTAL SUPPORTING SERVICES	894,195	-	894,195	638,446
TOTAL EXPENSES	5,534,589	-	5,534,589	4,820,648
CHANGE IN NET ASSETS	841,708	1,988,216	2,829,924	3,476,948
NET ASSETS, BEGINNING OF YEAR	1,519,267	4,764,138	6,283,405	2,806,457
NET ASSETS, END OF YEAR	$ 2,360,975	$ 6,752,354	$ 9,113,329	$ 6,283,405

FRESH ENERGY

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended January 31, 2022
With Comparative Totals for 2021

	Program Services							Supporting Services			Total	
	Public Affairs	Clean Electricity	Energy Transition	Center for Pollinators and Energy	Energy News Network	Energy Access & Equity	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	2022	2021
Salaries	$ 212,422	$ 446,504	$ 409,829	$ 69,452	$ 346,024	$ 219,810	$ 1,704,041	$ 360,288	$ 178,717	$ 539,005	$ 2,243,046	$ 1,906,176
Payroll taxes	15,420	32,063	29,694	4,963	25,089	16,211	123,440	23,539	12,724	36,263	159,703	136,611
Employee benefits	24,468	48,839	41,473	5,527	40,709	28,850	189,866	58,745	21,523	80,268	270,134	235,795
Total salaries and related expenses	252,310	527,406	480,996	79,942	411,822	264,871	2,017,347	442,572	212,964	655,536	2,672,883	2,278,582
Consultants	61,278	104,074	288,833	24,152	190,376	22,799	691,512	19,050	-	19,050	710,562	691,604
Contracts with collaborators	-	-	873,750	-	4,000		877,750	-	-	-	877,750	838,170
Professional fees	26,979	62,113	36,032	34,720	469,181	24,267	653,292	51,624	-	51,624	704,916	685,901
Occupancy	9,754	19,662	16,120	1,123	16,760	11,966	75,385	25,928	-	25,928	101,313	88,783
Travel	185	12,275	311	30	2,560	1,077	16,438	316	-	316	16,754	7,179
Staff/Board expense	1,663	3,461	2,996	554	2,619	1,905	13,198	4,176	-	4,176	17,374	4,267
Printing and publications	-	25	-	-	-	-	25	-	-	-	25	1,307
Telephone	3,425	6,838	6,000	528	5,621	3,606	26,018	8,269	-	8,269	34,287	16,721
Lobbying	57,151	-	-	-	-	-	57,151	-	-	-	57,151	54,486
Dues and subscriptions	3,368	4,867	4,649	599	8,479	3,615	25,577	3,945	-	3,945	29,522	14,490
Miscellaneous	1,567	3,126	2,942	1,341	2,566	1,796	13,338	22,893	-	22,893	36,231	14,768
Supplies	848	1,910	1,397	207	1,374	966	6,702	2,129	-	2,129	8,831	1,984
Postage	96	191	162	21	162	105	737	231	-	231	968	1,007
Equipment and maintenance	1,763	3,736	4,638	368	3,110	1,943	15,558	8,130	-	8,130	23,688	23,474
Fundraising direct	-						-		61,144	61,144	61,144	48,761
Public awareness events	3	7	6	2	34	4	56	8	-	8	64	395
Meetings	591	861	345	9	227	243	2,276	367	-	367	2,643	2,588
Insurance	330	660	560	72	4,883	390	6,895	808	-	808	7,703	6,456
Conferences	-	2,240				1,136	3,376	-	-	-	3,376	798
Professional development	1,501	3,052	1,247	115	782	1,344	8,041	2,789	-	2,789	10,830	15,224
Communications	5,387	10,754	9,386	679	8,839	6,165	41,210	24,218	-	24,218	65,428	30,092
Depreciation	11,731	22,394	22,395	5,332	15,996	10,664	88,512	18,128	-	18,128	106,640	8,820
Total functional expenses	439,930	789,652	1,752,765	149,794	1,149,391	358,862	4,640,394	635,581	274,108	909,689	5,550,083	4,835,857
Less expenses included with revenues on the statement of activities:												
Direct costs of special events	-	-	-	-	-	-	-	-	(15,494)	(15,494)	(15,494)	(15,209)
Total expenses included in the expense section on the statement of activities	$ 439,930	$ 789,652	$ 1,752,765	$ 149,794	$ 1,149,391	$ 358,862	$ 4,640,394	$ 635,581	$ 258,614	$ 894,195	$ 5,534,589	$ 4,820,648

See Notes to Financial Statements

FRESH ENERGY

STATEMENTS OF CASH FLOWS

For the Years Ended January 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,829,924	$ 3,476,948
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	106,640	8,820
Unrealized (gain) loss on investments	(6,992)	(39,438)
Reinvested dividends and interest	(1,633)	(11,535)
Gain on extinguishment of PPP note payable	(374,500)	
Changes in operating assets and liabilities:		
Promises to give receivable	(827,617)	(2,413,644)
Prepaid expenses	(10,808)	2,276
Accounts payable	199,999	(35,918)
Accrued expenses	31,655	(45,657)
Deferred lease incentive	105,810	49,398
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,052,478	991,250
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(581,391)	(213,570)
Purchase of investments	(592,666)	(588,935)
Proceeds from sale of investments	594,016	588,996
NET CASH FLOWS FROM INVESTING ACTIVITIES	(580,041)	(213,509)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan payable	-	374,500
NET CASH FLOWS FROM FINANCING ACTIVITIES	-	374,500
NET INCREASE (DECREASE) IN CASH	1,472,437	1,152,241
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	3,415,141	2,262,900
END OF YEAR	$ 4,887,578	$ 3,415,141

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Organization – Fresh Energy (the Organization) is an independent non-profit organization whose mission is to shape and drive bold policy solutions to achieve equitable carbon-neutral economies. Together we are working toward a vision of a just, prosperous, and resilient future powered by a shared commitment to a carbon-neutral economy. Working purely in the public interest, Fresh Energy's team of scientists, economists, policy analysts, and educators develops and advances solutions that secure a clean energy future where all can thrive.

Description of programs – The programs through which the Organization provides its services are as follows:

Public Affairs: As a policy organization, Fresh Energy drives change in multiple decision-making forums including local governments, the Minnesota legislature and with our Congressional delegation. Our Public Affairs department provides expert leadership on policy-maker education, advocacy, and coalition work with partners across the state. In collaboration with our communications team the Public Affairs department also operates a growing Action Network that equips the public to weigh in on climate and energy decision making.

Clean Electricity: Generating electricity without carbon pollution is a crucial step toward a carbon-neutral future, and Fresh Energy is working hard to lock in a 90% carbon free electric system by 2025. Through active engagement at the Minnesota Public Utilities Commission, state legislature, and other decision-making venues, Fresh Energy is working to end reliance on fossil fuel, dramatically increase renewable electricity generation, and maximize efficiency with load management and other strategies. As a result of our efforts, coal plants are closing or running less often, utilities are making historic investments in more efficient systems, utility customers have new renewable electricity choices, and wind, solar, and battery storage are an increasing part of Minnesota's energy system. Because a large-scale energy transition will require a strong, modern electric grid, Fresh Energy is also working to secure transmission for increased renewables across the region, and a distribution grid that supports clean energy projects in our communities.

Energy Transition: Analysis makes it clear: to turn the tide on climate change, we must not only generate electricity without carbon, we must reduce greenhouse gas emissions from our entire economy. Fresh Energy is using multiple strategies to speed an economy-wide transition, doubling down on energy efficiency, using clean electricity instead of fossil fuels, and making dramatic improvements to our built environment. Our major Energy Transition priorities include:

- <u>Clean Transportation</u> - With a focus on transitioning from polluting vehicles to clean electric cars and buses. In addition to spurring policy change, such as Clean Cars Minnesota, to increase access to electric vehicles, we conduct effective advocacy at the Public Utilities Commission to ensure the electric grid is ready for transportation electrification that benefits all consumers.

- <u>Building Performance</u> - Including shaping Minnesota's building code and other policy solutions, leading market transformation and education, and advocating for proof-of-concept models that demonstrate strategies for achieving equitable benefits while moving toward carbon-neutral buildings.

(1) <u>Summary of significant accounting policies</u> **(continued)**

Description of programs (continued)

Energy Transition (continued)

- <u>Minnesota Building Decarbonization Coalition</u> - An active coalition incubated by Fresh Energy that now includes more than 200 organizations across the region sharing information and strategy on state-based projects; multiple initiatives at the intersection of health, equity, and decarbonization of the buildings sector; and an equity-centered sub-granting program that is building the capacity of local groups to engage on this issue.

- <u>Gas Decarbonization</u> - A vital new initiative focused on transitioning away from gas for buildings and industry in a way that benefits consumers, improves indoor air quality, and reduces carbon emissions. Thanks to the Natural Gas Innovation Act, actively shaped by Fresh Energy, there are new openings at the Minnesota Public Utilities Commission to scrutinize gas utility infrastructure investments, rates, and pilot programs and Fresh Energy experts are using that forum to speed progress.

Center for Pollinators and Energy: Fresh Energy launched the Center for Pollinators in Energy as a catalyzer and clearinghouse of information to increase use of flowering meadows under solar sites and secure scientific data on habitat, soil, and energy benefits. This project has evolved to focus on communication and special projects related to solar site design and will be housed within our Clean Electricity department in the future.

Energy News Network: Fresh Energy's Energy News Network is a national network of news sites providing daily links to top energy news stories and original reporting on the transition to clean energy. Editorially independent from Fresh Energy's policy work, the Energy News Network is staffed by professional editors and a team of more than a dozen journalists who cover state-based stories in a regional context. Our energy news links and original reporting are published through five digests: U.S. Energy News, Midwest Energy News, Southeast Energy News, Northeast Energy News, and Western Energy News as well as Centered, a separate Midwest-focused newsletter about technology's role in fighting climate change. The more than 30 original news stories produced by Energy News Network reporters each month shine a light on stories that would otherwise go unreported, and our journalism is regularly republished or quoted in trade publications, traditional media outlets, and in other arenas. Our editorial staff works to increase diversity in stories covered and people quoted on energy and we have a new Detroit Equity Fellowship Program, in partnership with Planet Detroit and the Detroit Equity Action Lab, creating a model. The Energy News Network is a member of the Institute for Nonprofit News and our national advisory committee of journalism and media experts provides key guidance.

(1) <u>Summary of significant accounting policies</u> **(continued)**

Description of programs (continued)

Energy Access and Equity: Fresh Energy is committed to ensuring that the transition to clean energy benefits all. Equity is a consideration in our work across programs and within our internal operations. We also have a number of programmatic initiatives underway with a specific focus on equity, including serving as co-lead of the Minnesota Multifamily Affordable Housing Energy Network (MMAHEN), which connects building owners, renters, housing and energy advocates, financing entities, health professionals, and others to improve the efficiency of apartment buildings and other multifamily housing. In multiple state and national forums, we also shape renewable energy program design, energy efficiency and weatherization investments, and other initiatives to reduce the energy burden on under-resourced households. Access and equity are also central elements of our clean transportation work to electrify transit and school buses.

Income tax status - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. However, income from certain activities is subject to taxation as unrelated business income. Unrelated business income consists of advertising income. For the years ended January 31, 2022 and 2021 unrelated business income tax was not significant.

The Organization reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment the Organization determines whether it is more likely than not that the position would be sustained upon examination by tax authorities. The Organization's assessment has not identified any significant positions that it believes would not be sustained under examination.

The Organization has identified its tax status as a tax exempt entity as its only significant tax position and has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction.

The Organization files Form 990 and Form 990-T in the U.S. federal jurisdiction and the State of Minnesota. The Organization is generally no longer subject to examination by the Internal Revenue Service three years after the date of filing, including extensions.

Financial statement presentation - The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly net assets of the organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets available for general use and not subject to donor-imposed restrictions. These may be used at the discretion of the Organization's management and board of directors. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or by actions of the Organization. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

(1) Summary of significant accounting policies (continued)

Going concern – Management assesses the Organization's ability to continue as a going concern and provides related disclosures in certain circumstances. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. Management has determined there is not substantial doubt about the Organization's ability to continue as a going concern.

Contributions and grants - The Organization recognizes contributions and grants as revenue when they are received or unconditionally pledged.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. The Organization records conditional contributions received in advance of conditions being met as refundable advances.

Contributions received and net investment return (loss) are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

In-kind contributions - Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents - The Organization considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time to time, the Organization's balances in its bank accounts may exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as a result of other concentrations of credit risk.

(1) **Summary of significant accounting policies (continued)**

Certificates of deposit - Certificates of deposit held for investment are reported as investments - certificates of deposit. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments. Certificates of deposit with remaining maturities greater than one year are classified as long-term investments.

Investments - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussions of fair value measurements.

Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Purchases and sales of investments are reflected on a trade date basis. Realized gains or losses on sales of investments are based on the cost of specifically identified investments. Changes in unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Fair value measurement – US GAAP defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy is broken down into three levels of inputs that market participants would use in valuing the asset or liability, which can be summarized as follows:

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 - Quoted prices for similar assets or liabilities

- Level 3 Valuations based on inputs that are unobservable, therefore requiring management's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

(1) **Summary of significant accounting policies (continued)**

Receivables - Promises to give receivable are stated at net realizable value. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their estimated future cash flows, discounted using risk-adjusted interest rates to the years in which promises are to be received. Promises to give receivable that are expected to be collected in more than one year are discounted at 1.4%.

An allowance for uncollectible promises to give receivable is provided based on management’s judgement, including factors such as prior collection history, type of contribution and nature of fundraising activity. Management considers all receivables to be fully collectible and accordingly, an allowance for doubtful accounts has not been recorded as of January 31, 2022 and 2021, respectively.

Property and equipment - The Organization capitalizes all expenditures of property and equipment with a useful life of greater than one year, and a cost in excess of $1,000. Property and equipment are recorded at cost or, in the case of contributed property, at the fair value at the date of contribution. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

Expenditures for renewals and improvements are capitalized while the cost of maintenance and repairs is charged to expense as incurred. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed using the straight-line method over estimated useful lives of three to seven years.

Functional allocation of expenses - The cost to the Organization of providing various programs has been presented on a functional basis. The Organization allocates all organizational expenses between fund raising, general administration and the 6 distinct program areas in which it works; Public Affairs, Clean Electricity, Energy Transition, Center for Pollinators and Energy, Energy News Network, and Energy Access & Equity. Where it is possible, the Organization allocates identifiable direct program expenses to each program area. Expenses related to more than one function are allocated to programs and supporting services based on the ratio of staff time spent in each program and support activity to total staff time.

(1) <u>Summary of significant accounting policies</u> (continued)

Functional allocation of expenses (continued) - For employee costs, such as salary, taxes and employee benefits, the portion of each employee's actual salary and benefits is allocated based on that individual's assignment of time between programs and supportive areas.

For overhead and other shared expenses, each employee's time allocation is weighted equally, and combined to determine an allocation of total full-time equivalent's dedicated to each program and supportive area

Summarized information - The financial statements include certain prior period summarized comparative information in total but neither by net asset class nor by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended January 31, 2021, from which summarized information was derived.

New accounting pronouncements - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, "*Leases* (Topic 842)". ASU 2016-02 requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position and disclose key information about leasing arrangements. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current U.S. GAAP. ASU 2016-02 is effective for annual periods beginning after December 15, 2021. The Organization is in the process of assessing the impact this standard will have on its financial statements.

Subsequent events policy - Subsequent events have been evaluated through July 19, 2022, which is the date the financial statements were available to be issued.

(2) <u>Risks & uncertainties</u>

On March 11, 2020 the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. The operations of the Organization may be significantly impacted by the pandemic and could result in material changes in the Organization's ability to provide services in its program areas. The extent of any future impact of COVID-19 on our programs and operations will depend on certain developments, including the duration and spread of the outbreak, government mandates and tax relief policies, impact on our donors, employees, and vendors, all of which are uncertain and cannot be predicted. Other financial impacts could occur. Such potential impacts are unknown at this time.

(3) Liquidity and availability

The following table reflects the Organization's financial assets as of January 31, 2022 and 2021 that are available to meet general expenditures within the next year:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 4,887,578	$ 3,415,141
Investments – certificates of deposit	354,353	352,706
Investments	215,276	209,648
Promises to give receivable, less than 1 year	2,202,031	2,637,715
Total financial assets	7,659,238	6,615,210
Less board designated and net assets with donor restrictions:		
Board designated for operating reserve (see below)	1,131,942	1,108,601
Board designated for acceleration fund	387,325	209,587
Net assets with donor restrictions	6,752,354	4,764,138
Total	8,271,621	6,082,326
Financial assets available for general expenditure within one year	$ (612,383)	$ 532,884

The Organization maintains and manages the operating reserve, 90 days of operating expenditures based on annual budget, and the acceleration fund reserve per policies set by its Board of Directors. The purpose of the reserves are to ensure the stability of the mission, programs, employment and ongoing operations of the Organization. The reserves are identified as board-designated net assets. All board designated funds can be made available to meet operating needs if necessary, upon Board approval.

The Organization receives significant contributions restricted by donors that are not considered to be available to meet cash needs for general expenditures. However, a significant portion of these are likely to be released from donor restriction within one year.

The Organization strives to maintain a cash balance sufficient to cover upcoming expenditures. Management routinely analyzes cash requirements and transfers between cash and money market accounts to maximize the potential return. As noted on the Statement of Financial Position, the Organization has commitments to vendors and other current liabilities in the amount of $425,517 and $193,860 as of January 31, 2022 and 2021, respectively.

(4) Investments

The Organization's investments of $215,276 and $209,648 at January 31, 2022 and 2021, are carried at fair value. Investments consist of environmentally friendly mutual funds which have a majority of their ownership interest in readily marketable equity securities.

Mutual funds (level 1) are valued at the net asset value (NAV) of shares held by the Organization at year end. There have been no changes in the methodologies used at January 31, 2022 and 2021.

The preceding method described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(5) Promises to give receivable

Promises to give receivable at January 31, 2022 and 2021 are as follows:

	2022	2021
Promises to give receivable due in:		
Less than one year	$ 2,202,031	$ 1,987,715
One to five years	1,300,000	668,750
Less: unamortized discount	(17,949)	-
Total	$ 3,484,082	$ 2,656,465

Promises to give receivable beyond one year are restricted due to varying time and purpose restrictions. The Organization has evaluated the present value discount of long-term contributions based on the discount rate at the time of contribution.

Conditional promises to give at January 31, 2022 and 2021, consist of promises to:

	2022	2021
Provide for public, charitable purposes and specifically to support Energy News Network Virginia Reporting	$ -	$ 50,000
Total	$ -	$ 50,000

(6) PPP loan payable

The Organization applied for and received a forgivable Paycheck Protection Program (PPP) loan of $374,500 as provided under the Federal Coronavirus Aid, Relief, and Economic Security Act in the prior year. The Organization used all of the proceeds from that PPP loan for eligible costs and submitted a formal request for forgiveness. In February 2021, the Organization received notice of legal release for the obligation of the full amount of the PPP loan from the Small Business Administration and recognized a gain on extinguishment during the year ended January 31, 2022.

(7) Net assets

The net assets are summarized as follows as of January 31, 2022:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ 841,708	$ -	$ 841,708
Designated by the board for:			
Operating reserve	1,131,942	-	1,131,942
Strategic Framework fund	387,325	-	387,325
Restricted for specific purposes:			
Center for Pollinators and Energy	-	3,541	3,541
Energy News Network	-	1,519,326	1,519,326
Clean Electricity	-	1,054,126	1,054,126
General and Administrative	-	927,129	927,129
Energy Access & Equity	-	789,400	789,400
Public Affairs	-	615,955	615,955
Energy Transition	-	1,842,877	1,842,877
	$ 2,360,975	$ 6,752,354	$ 9,113,329

(7) Net assets (continued)

The net assets are summarized as follows as of January 31, 2021:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	$ 201,079	$ -	$ 201,079
Designated by the board for:			
Operating reserve	1,108,601	-	1,108,601
Strategic Framework fund	209,587	-	209,587
Restricted for specific purposes:			
Center for Pollinators and Energy	-	63,576	63,576
Energy News Network	-	1,709,425	1,709,425
Clean Electricity	-	595,699	595,699
General and administrative	-	665,440	665,440
Energy Access & Equity	-	263,625	263,625
Public Affairs	-	210,112	210,112
Energy Transition	-	1,256,261	1,256,261
	$ 1,519,267	$ 4,764,138	$ 6,283,405

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of the passage of time, or by the occurrence of other events specified by donors. Net assets released from restriction for the years ended January 31, 2022 and 2021 are as follows:

	2022	2021
Purpose restriction accomplished:		
Center for Pollinators and Energy	$ 145,474	$ 190,614
Energy News Network	1,073,612	930,006
Energy Access & Equity	286,356	198,194
General and administrative	661,647	464,326
Clean Electricity	706,984	663,295
Expiration of specified time period	-	76,170
Public Affairs	325,798	251,831
Energy Transition	1,673,050	1,440,212
Total restrictions accomplished	$ 4,872,921	$ 4,214,648

(8) Lease commitments

The Organization leases its office space under a non-cancelable operating lease which expired on October 31, 2020. After the lease expiration, the Organization continued to lease the space on a month to month basis through May 2021. Total monthly payments required under this lease were $3,560.

The Organization entered into an amendment for their existing leased office space which extends the lease through April 2028. The lease contains an option to renew for one additional term of three years. The lease requires monthly payments on an escalating basis ranging from $3,556 to $5,344 over the term of the lease. Payments under the amended lease agreement commenced in May 2021.

At January 31, 2022, the minimum payments due under this lease agreement are as follows:

Year Ending January 31,	Amount
2023	$ 44,000
2024	45,000
2025	55,000
2026	60,000
2027	62,000
Thereafter	80,000
Total	$ 346,000

Rental expenses, including the Organization's share of operating expenses and taxes, for the years ended January 31, 2022 and 2021 amounted to $101,000 and $89,000, respectively.

(9) Benefits

In calendar year 2021, the Organization had a defined contribution plan covering all employees who have completed one year of service and have worked a required number of hours. The Organization contributed 5% of eligible employee salaries. In calendar year 2022, the Organization updated the defined contribution plan to allow participants to contribute upon employment commencement. The Organization contributes 5% of eligible employee salaries with an additional match of up to 3%. The contributions made by the Organization for the year ended January 31, 2022 and 2021 were $101,000 and $87,000, respectively.

(10) Concentration of revenue

Approximately 68% of the Organization’s public support and revenue for the years ended January 31, 2022 and 2021, was received from two and three foundations, respectively.

(11) Reclassifications

Certain reclassifications have been made to the financial statements for the year ended January 31, 2021 to conform with classifications of the current year. The reclassifications did not affect financial position or changes in net assets.