

FRESH ENERGY

(A Non-Profit Corporation)

AUDITED FINANCIAL STATEMENTS
Year Ended January 31, 2025
with comparative totals for 2024

FRESH ENERGY

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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, 2025 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, 2025, 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 4, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended January 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information Included in the Organization's Annual Report

Management is responsible for the other information included in the Organization's annual report. The other information comprises the Director's Letter, selected financial information, and nonfinancial information regarding the Organization's operations but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CBIZ CPAs P.C.
Minneapolis, Minnesota
July 18, 2025

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STATEMENTS OF FINANCIAL POSITION January 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,805,832	\$ 6,087,863
Investments	2,262,441	210,122
Promises to give receivable, less than 1 year	1,639,834	746,580
Prepaid expenses	110,614	93,350
Total Current Assets	7,818,721	7,137,915
Property and Equipment		
Equipment	397,793	392,701
Leasehold Improvements	433,153	433,153
Less accumulated depreciation	(543,286)	(413,871)
Net Property and Equipment	287,660	411,983
Other Assets		
Promises to give receivable, more than 1 year	1,182,127	1,476,024
Operating lease right of use asset	107,120	137,889
Total Other Assets	1,289,247	1,613,913
Total Assets	\$ 9,395,628	\$ 9,163,811
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 96,739	\$ 221,442
Accrued expenses	212,644	201,237
Current portion of operating lease liability	61,481	56,765
Other current liabilities	255,072	-
Total Current Liabilities	625,936	479,444
Operating lease liability, less current portion above	146,150	207,630
Total Long-Term Liabilities	146,150	207,630
Total Liabilities	772,086	687,074
NET ASSETS		
Net Assets		
Without donor restrictions	2,761,258	1,704,352
With donor restrictions	5,862,284	6,772,385
Total Net Assets	8,623,542	8,476,737
Total Liabilities and Net Assets	\$ 9,395,628	\$ 9,163,811

See Notes to Financial Statements

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STATEMENT OF ACTIVITIES For the Year Ended January 31, 2025 With Comparative Totals for 2024

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2025	2024
<u>Public Support and Revenue</u>				
Contributions and grants	\$ 1,660,407	\$ 4,885,089	\$ 6,545,496	\$ 5,142,679
Special events revenue	507,711	-	507,711	508,287
Direct costs related to special events	(92,254)	-	(92,254)	(68,342)
Investment return	165,467	-	165,467	171,620
Other revenue	27,134	-	27,134	13,364
Net assets released from restrictions	4,916,097	(4,916,097)	-	-
Total Public Support and Revenue	7,184,562	(31,008)	7,153,554	5,767,608
<u>Expenses</u>				
Program Services				
Public Affairs	518,032	-	518,032	588,472
Clean Electricity	626,101	-	626,101	713,203
Energy Transition	1,537,188	-	1,537,188	3,143,166
Acceleration Fund	706,424	-	706,424	565,337
Energy News Network	918,677	-	918,677	1,054,980
Energy Access & Equity	345,473	-	345,473	443,544
Total Program Services	4,651,895	-	4,651,895	6,508,702
Supporting Services				
General and administrative	904,865	-	904,865	932,485
Fund raising	570,896	-	570,896	624,346
Total Supporting Services	1,475,761	-	1,475,761	1,556,831
Total Expenses	6,127,656	-	6,127,656	8,065,533
Change in Net Assets - Prior to Contribution of Assets	1,056,906	(31,008)	1,025,898	(2,297,925)
Contribution of Assets to Canary Media	-	(405,073)	(405,073)	-
Contribution of Assets to Midwest Building Decarbonization Coalition	-	(474,020)	(474,020)	(662,022)
Change in Net Assets	1,056,906	(910,101)	146,805	(2,959,947)
Net Assets, Beginning of Year	1,704,352	6,772,385	8,476,737	11,436,684
Net Assets, End of Year	<u>\$ 2,761,258</u>	<u>\$ 5,862,284</u>	<u>\$ 8,623,542</u>	<u>\$ 8,476,737</u>

See Notes to Financial Statements

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STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended January 31, 2025 With Comparative Totals for 2024

	Program Services						Supporting Services					
	Public Affairs	Clean Electricity	Energy Transition	Acceleration Fund	Energy News Network	Energy Access & Equity	Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	Total	
											2025	2024
Salaries	\$ 273,144	\$ 380,097	\$ 664,088	\$ 565,090	\$ 309,046	\$ 143,647	\$ 2,335,112	\$ 372,004	\$ 371,496	\$ 743,500	\$ 3,078,612	\$ 3,138,084
Payroll taxes	20,531	28,569	49,060	40,031	23,764	10,085	172,040	27,925	26,976	54,901	226,941	226,144
Employee benefits	67,277	75,462	134,155	-	61,887	39,927	378,708	105,391	67,876	173,267	551,975	474,944
Total salaries and related expenses	360,952	484,128	847,303	605,121	394,697	193,659	2,885,860	505,320	466,348	971,668	3,857,528	3,839,172
Consultants	19,652	25,497	200,042	74,878	168,229	101,739	590,037	35,836	447	36,283	626,320	1,292,942
Contracts with collaborators	-	-	346,000	-	-	-	346,000	-	-	-	346,000	1,548,352
Professional fees	20,410	37,194	26,086	26,425	295,107	9,127	414,349	266,255	18,149	284,404	698,753	696,592
Occupancy	14,388	16,138	28,689	-	13,235	8,539	80,989	22,979	14,515	37,494	118,483	119,076
Travel	4,392	8,267	8,691	-	5,537	10,878	37,765	3,699	33	3,732	41,497	53,930
Staff/Board expense	1,391	772	1,329	-	589	742	4,823	6,785	645	7,430	12,253	58,374
Printing and publications	-	-	-	-	-	-	-	-	-	-	-	29
Telephone	1,363	1,528	2,718	-	1,253	809	7,671	2,087	1,376	3,463	11,134	15,888
Lobbying	60,830	-	-	-	-	-	60,830	-	-	-	60,830	60,752
Dues and subscriptions	5,882	6,375	3,988	-	4,086	995	21,326	5,579	1,704	7,283	28,609	43,949
Miscellaneous	1,248	1,403	2,489	-	1,427	740	7,307	2,975	1,259	4,234	11,541	11,944
Supplies	722	811	1,895	-	665	563	4,656	1,166	729	1,895	6,551	7,030
Postage	41	46	82	-	38	24	231	1,276	42	1,318	1,549	1,716
Equipment and maintenance	1,086	1,033	1,828	-	935	544	5,426	2,684	925	3,609	9,035	13,060
Fundraising direct	-	-	-	-	-	-	-	-	129,309	129,309	129,309	103,950
Public awareness events	-	-	-	-	-	-	-	2,070	-	2,070	2,070	-
Meetings	1,389	1,642	1,570	-	413	3,508	8,522	4,883	67	4,950	13,472	18,506
Insurance	664	744	1,324	-	6,946	394	10,072	1,047	670	1,717	11,789	11,193
Conferences	120	8,304	8,206	-	500	795	17,925	245	-	245	18,170	14,298
Professional development	1,252	2,367	1,418	-	929	422	6,388	1,637	717	2,354	8,742	6,288
Communications	9,308	10,440	18,588	-	8,562	5,524	52,422	15,048	9,391	24,439	76,861	64,928
Depreciation	12,942	19,412	34,942	-	15,529	6,471	89,296	23,294	16,824	40,118	129,414	151,906
Total functional expenses	518,032	626,101	1,537,188	706,424	918,677	345,473	4,651,895	904,865	663,150	1,568,015	6,219,910	8,133,875
Less expenses included with revenues on the statement of activities:												
Direct costs of special events	-	-	-	-	-	-	-	-	(92,254)	(92,254)	(92,254)	(68,342)
Total expenses included in the expense section on the statement of activities	\$ 518,032	\$ 626,101	\$ 1,537,188	\$ 706,424	\$ 918,677	\$ 345,473	\$ 4,651,895	\$ 904,865	\$ 570,896	\$ 1,475,761	\$ 6,127,656	\$ 8,065,533

See Notes to Financial Statements

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STATEMENTS OF CASH FLOWS For the Years Ended January 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	\$ 146,805	\$ (2,959,947)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	129,414	151,906
Unrealized gain on investments	(19,770)	(9,607)
Reinvested dividends and interest	(26,364)	-
Operating lease expense	30,769	30,908
Changes in operating assets and liabilities:		
Promises to give receivable	(599,357)	2,069,101
Prepaid expenses	(17,264)	(52,090)
Accounts payable	(124,703)	38,969
Accrued expenses	11,407	29,400
Other current liabilities	255,072	-
Operating lease liabilities	(56,764)	(46,042)
Net Cash Flows from Operating Activities	(270,755)	(747,402)
 Cash Flows from Investing Activities		
Purchase of property and equipment	(5,091)	(8,454)
Purchase of investments	(2,006,185)	-
Proceeds from sale of investments	-	276,055
Net Cash Flows from Investing Activities	(2,011,276)	267,601
Net Increase (Decrease) in Cash	(2,282,031)	(479,801)
 Cash and Cash Equivalents		
Beginning of Year	6,087,863	6,567,664
End of Year	\$ 3,805,832	\$ 6,087,863

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS January 31, 2025 and 2024

(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:

- Clean Transportation - 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.
- Building Performance - 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.

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NOTES TO FINANCIAL STATEMENTS January 31, 2025 and 2024

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of programs (continued)

Energy Transition (continued)

- Minnesota Building Decarbonization Coalition - 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.
- Gas Decarbonization - 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.

Acceleration Fund: Acceleration Fund was developed to further accelerate the mission of Fresh Energy to shape and drive bold policy solutions to achieve equitable carbon-neutral economies.

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.

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.

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NOTES TO FINANCIAL STATEMENTS January 31, 2025 and 2024

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of programs (continued)

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, 2025 and 2024 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.

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.

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NOTES TO FINANCIAL STATEMENTS January 31, 2025 and 2024

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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NOTES TO FINANCIAL STATEMENTS January 31, 2025 and 2024

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Promise to give receivable – Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses an allowance method to determine uncollected promises to give (receivable). Management considers all receivables to be fully collectible and accordingly, an allowance for credit losses has not been recorded as of January 31, 2025 and 2024, respectively.

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 rates ranging from 2.2% to 4.4%.

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.

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NOTES TO FINANCIAL STATEMENTS January 31, 2025 and 2024

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 distinct program areas in which it works. 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.

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.

Leases – The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the Organization's statements of financial position. The Organization has no finance leases. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide an implicit rate, it uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are comprised of building operating costs and real estate taxes are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Organization has elected to apply the short-term lease exemption to all classes of underlying assets. Short term lease costs were immaterial for the year ended January 31, 2025 and 2024.

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, 2024, from which summarized information was derived.

Subsequent events policy - Subsequent events have been evaluated through July 18, 2025, which is the date the financial statements were available to be issued.

FRESH ENERGY

NOTES TO FINANCIAL STATEMENTS January 31, 2025 and 2024

(2) RISKS & UNCERTAINTIES

The Organization is exposed to various known and unknown risks and uncertainties. Risks include internal and external events and conditions (e.g., pandemics, international conflicts, labor market and supply chain disruption, government mandates, government policies and budget priorities that may impact grant funding, volatile financial markets, etc.) which could impact the operations of the Organization. It is at least reasonably possible that changes could occur in the near term and that such changes could materially affect the results of operations or the Organization's financial position.

Due to federal government review and potential restructuring of federal funding priorities, there is uncertainty regarding the continuation and amount of future funding from federal sources. The Organization is monitoring the policy developments and the potential impacts.

(3) LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of January 31, 2025 and 2024 that are available to meet general expenditures within the next year:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 3,805,832	\$ 6,087,863
Investments	2,262,441	210,122
Promises to give receivable, less than 1 year	<u>1,639,834</u>	<u>746,580</u>
Total financial assets	<u>7,708,107</u>	<u>7,044,565</u>
Less amounts not available for expenditure within one year:		
Net assets with donor restrictions	5,862,284	6,772,385
Net assets with donor restrictions - pledges due in more than 1 year	<u>(1,297,468)</u>	<u>(1,597,862)</u>
Total	<u>4,564,816</u>	<u>5,174,523</u>
Financial assets available for general expenditure within one year	<u>\$ 3,143,291</u>	<u>\$ 1,870,042</u>

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 \$625,936 and \$479,444 as of January 31, 2025 and 2024, respectively.

FRESH ENERGY

NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

(4) FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis at January 31, 2025 and 2024 are as follows:

	Fair value measurements at reporting date using			
	Fair Value	Level 1	Level 2	Level 3
<u>2025</u>				
Mutual funds	\$ 400,384	\$ 400,384	\$ -	\$ -
Exchange-traded funds	98,418	98,418	-	-
Money-market funds	1,003,177	1,003,177	-	-
Certificates of deposit	760,462	-	760,462	-
Total assets measured at fair value	\$ 2,262,441	\$ 1,501,979	\$ 760,462	\$ -

	Fair value measurements at reporting date using			
	Fair Value	Level 1	Level 2	Level 3
<u>2024</u>				
Mutual funds	\$ 210,122	\$ 210,122	\$ -	\$ -
Total assets measured at fair value	\$ 210,122	\$ 210,122	\$ -	\$ -

Following is a description of the valuation methodologies used for assets measured at fair value. All assets have been valued using a market approach. There have been no changes in methodologies used at January 31, 2025 and 2024.

Mutual funds, exchange-traded funds, and money market funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

Certificates of deposit: Valued based on inputs that are observable such as interest rates and comparable market data.

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.

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NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

(5) PROMISES TO GIVE RECEIVABLE

Promises to give receivable at January 31, 2025 and 2024 are as follows:

	2025	2024
Promises to give receivable due in:		
Less than one year	\$ 1,639,834	\$ 746,580
One to five years	1,097,468	1,197,862
More than five years	200,000	400,000
Less: unamortized discount	(115,341)	(121,838)
Total	\$ 2,821,961	\$ 2,222,604

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.

(6) NET ASSETS

The net assets are summarized as follows as of January 31, 2025:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	\$ -	\$ -	\$ -
Designated by the board for:			
Operating reserve	1,377,927	-	1,377,927
Acceleration fund	148,369	-	148,369
Strategic framework fund	1,034,962	-	1,034,962
Transition fund	200,000	-	200,000
Restricted for specific purposes:			
Fundraising	-	1,423,323	1,423,323
Clean Electricity	-	688,163	688,163
General and Administrative	-	528,810	528,810
Energy Access & Equity	-	92,264	92,264
Public Affairs	-	1,003,537	1,003,537
Energy Transition	-	2,126,187	2,126,187
	\$ 2,761,258	\$ 5,862,284	\$ 8,623,542

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NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

(6) NET ASSETS (CONTINUED)

The net assets are summarized as follows as of January 31, 2024:

Detail of Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated	\$ -	\$ -	\$ -
Designated by the board for:			
Operating reserve	1,555,983	-	1,555,983
Acceleration fund	148,369	-	148,369
Restricted for specific purposes:			
Fundraising	-	2,087,860	2,087,860
Energy News Network	-	760,495	760,495
Clean Electricity	-	457,111	457,111
General and administrative	-	422,878	422,878
Energy Access & Equity	-	318,146	318,146
Public Affairs	-	330,459	330,459
Energy Transition	-	2,395,436	2,395,436
	<u>\$ 1,704,352</u>	<u>\$ 6,772,385</u>	<u>\$ 8,476,737</u>

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, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Purpose restriction accomplished:		
Energy News Network	\$ 685,831	\$ 858,962
Energy Access & Equity	345,473	411,940
General and administrative	406,714	576,260
Clean Electricity	601,101	471,872
Fundraising	882,574	797,241
Public Affairs	457,216	476,769
Energy Transition	1,537,188	2,988,140
Total restrictions accomplished	<u>\$ 4,916,097</u>	<u>\$ 6,581,184</u>

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NOTES TO FINANCIAL STATEMENTS
January 31, 2025 and 2024

(7) LEASES

The Organization leases office space St. Paul, Minnesota. Required monthly lease payments range from \$3,600 to \$5,300 with the lease term ending April 2028. The lease also provides that the Organization pay its proportionate share of building operating costs and real estate taxes. The lease contains an option to renew the lease for one additional term of three years. The renewal option was not considered when assessing the value of the right-of-use assets because the Organization is not reasonably certain that it will exercise its options to renew this lease.

In addition, the Organization leases office equipment with lease terms ending at various times through June 2028. Required monthly lease payments on these equipment leases range from \$40 to \$341.

The components of operating lease expense are as follows:

	Years Ended January 31,	
	2025	2024
Operating lease costs	\$ 91,000	\$ 67,000
Variable lease costs	27,000	52,000
Total operating lease costs	\$ 118,000	\$ 119,000

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 118,000	\$ 82,000
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 19,000
Weighted average remaining lease term (years):		
Operating leases	3.21	4.21
Weighted average discount rate:		
Operating leases	1.78%	1.78%

Future minimum lease payments due under the operating lease are as follows:

<u>Years Ending January 31,</u>	<u>Amount</u>
2026	\$ 65,000
2027	66,000
2028	68,000
2029	15,000
Total future operating lease payments	214,000
Less imputed interest	(6,000)
Total operating lease liability	208,000
Less current portion	(65,000)
Noncurrent portion	\$ 143,000

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NOTES TO FINANCIAL STATEMENTS January 31, 2025 and 2024

(8) BENEFITS

The Organization has established a defined contribution plan covering all employees. 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, 2025 and 2024 were \$245,000 and \$237,000, respectively.

(9) CONCENTRATION OF REVENUE

Approximately 59% and 57% of the Organization's public support and revenue for the years ended January 31, 2025 and 2024, was received from two and three foundations, respectively.

(10) SEPARATION AND TRANSFER AGREEMENT

During the year ended January 31, 2025, the Organization's Board of Directors approved a resolution for a programmatic funding transaction. Under this resolution, the board approved the transfer of funds from its Energy News Network (ENN) program to Canary Media, a 501(c)(3) organization. During the year ended January 31, 2025, the contribution of assets to Canary Media totaled \$405,073. Funds approved for transfer that have not yet been distributed were \$255,072 and included in other liabilities at January 31, 2025.

During the year ended January 31, 2024, the Organization's Board of Directors approved a resolution for a programmatic funding transaction. Under this resolution, Midwest Building Decarbonization Coalition (MWBDC) transitioned from being a project of Fresh Energy to becoming incorporated as an independent 501(c)(3) organization. As part of this transition, funds restricted for the MWBDC program were transferred to the newly formed 501(c)(3) organization. During the years ended January 31, 2025 and 2024, the amount transferred to MWBDC was \$474,020 and \$662,022, respectively.