

COMMUNITY ENERGY PROJECT, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2015 and 2014

COMMUNITY ENERGY PROJECT, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Energy Project, Inc.
Portland, Oregon

We have audited the accompanying financial statements of Community Energy Project, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 entity'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 entity'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 Community Energy Project, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KERN & THOMPSON, LLC

Portland, Oregon
October 20, 2015

COMMUNITY ENERGY PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 49,738 | \$ 42,619 |
| Grants and contracts receivable | 51,491 | 93,057 |
| Prepaid expenses | 4,158 | 5,698 |
| Inventory | 37,429 | 67,084 |
| Property and equipment, net of accumulated depreciation | 99,076 | 94,172 |
| Total assets | \$ 241,892 | \$ 302,630 |

LIABILITIES AND NET ASSETS

| | | |
|---|-------------------|-------------------|
| Accounts payable | \$ 9,310 | \$ 46,360 |
| Accrued payroll expenses | 23,906 | 19,807 |
| Line of credit payable | 20,323 | - |
| Notes payable to bank | 34,990 | 44,968 |
| Total liabilities | \$ 88,529 | \$ 111,135 |
| Net assets | | |
| Unrestricted | | |
| Available for operations | 89,277 | 142,291 |
| Investment in property and equipment | 64,086 | 49,204 |
| Total net assets | \$ 153,363 | \$ 191,495 |
| Total liabilities and net assets | \$ 241,892 | \$ 302,630 |

See notes to financial statements.

COMMUNITY ENERGY PROJECT, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2015 and 2014

| | 2015 | | | 2014 | | |
|--|-------------------|------------------------|-------------------|-------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Support and revenue | | | | | | |
| Grants and contracts | \$ 527,288 | \$ - | \$ 527,288 | \$ 487,522 | \$ - | \$ 487,522 |
| Contributions | 70,867 | - | 70,867 | 97,371 | - | 97,371 |
| Store sales, net of related expenses | 1,287 | - | 1,287 | - | - | - |
| Special event, net of related expenses | 3,134 | - | 3,134 | 11,997 | - | 11,997 |
| Miscellaneous | 17,763 | - | 17,763 | 7,158 | - | 7,158 |
| Net assets released from restrictions | - | - | - | 5,852 | (5,852) | - |
| Total support and revenue | 620,339 | - | 620,339 | 609,900 | (5,852) | 604,048 |
| Expenses | | | | | | |
| In-home program: | | | | | | |
| Weatherization | 359,074 | - | 359,074 | 311,954 | - | 311,954 |
| Safety repairs | - | - | - | 33,200 | - | 33,200 |
| Education and outreach: | | | | | | |
| Lead poisoning prevention | 107,791 | - | 107,791 | 128,190 | - | 128,190 |
| Do-it-yourself weatherization | 117,084 | - | 117,084 | 77,213 | - | 77,213 |
| Pilot programs | 3,971 | - | 3,971 | 6,453 | - | 6,453 |
| Total program expenses | 587,920 | - | 587,920 | 557,010 | - | 557,010 |
| Supporting services | | | | | | |
| Management and general | 51,304 | - | 51,304 | 50,524 | - | 50,524 |
| Fundraising | 19,247 | - | 19,247 | 49,990 | - | 49,990 |
| Total expenses | 658,471 | - | 658,471 | 657,524 | - | 657,524 |
| Change in net assets | (38,132) | - | (38,132) | (47,624) | (5,852) | (53,476) |
| Net assets, beginning of year | 191,495 | - | 191,495 | 239,119 | 5,852 | 244,971 |
| Net assets, end of year | \$ 153,363 | \$ - | \$ 153,363 | \$ 191,495 | \$ - | \$ 191,495 |

See notes to financial statements.

COMMUNITY ENERGY PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015

| | PROGRAM SERVICES | | | | | SUPPORTING SERVICES | | 2015 Total |
|--------------------------------|---------------------|---------------------------------|---------------------------------------|-------------------|-------------------|--------------------------------|------------------|-------------------|
| | Weather- ization | Lead Poisoning Prevention | Do-It-Yourself Weather- ization | Pilot Programs | Total | Manage- ment and General | Fund- raising | |
| Expenses | | | | | | | | |
| Personnel expense | \$ 253,887 | \$ 76,729 | \$ 61,713 | \$ 2,506 | \$ 394,835 | \$ 19,913 | \$ 14,742 | \$ 429,490 |
| Professional services | 40,242 | 3,064 | 5,754 | 80 | 49,140 | 18,929 | 1,294 | 69,363 |
| Office supplies and services | 11,576 | 3,008 | 7,411 | 89 | 22,084 | 1,292 | 1,265 | 24,641 |
| Occupancy | 14,742 | 9,057 | 5,048 | 149 | 28,996 | 3,805 | 1,405 | 34,206 |
| Education and development | 1,882 | 528 | 211 | - | 2,621 | 297 | 21 | 2,939 |
| Insurance | 5,504 | 1,876 | 1,908 | - | 9,288 | 850 | - | 10,138 |
| Program supplies and materials | 21,496 | 11,214 | 32,595 | 612 | 65,917 | 2,879 | 52 | 68,848 |
| Travel expenses | 3,661 | 970 | 492 | 38 | 5,161 | 428 | 40 | 5,629 |
| Financial charges and interest | 1,574 | 452 | 509 | 10 | 2,545 | 201 | 91 | 2,837 |
| Volunteers and outreach | 2,026 | 156 | 640 | - | 2,822 | 74 | 8 | 2,904 |
| Miscellaneous | 200 | 80 | 64 | 472 | 816 | 2,345 | 197 | 3,358 |
| Depreciation | 2,284 | 657 | 739 | 15 | 3,695 | 291 | 132 | 4,118 |
| Total expense | \$ 359,074 | \$ 107,791 | \$ 117,084 | \$ 3,971 | \$ 587,920 | \$ 51,304 | \$ 19,247 | \$ 658,471 |

See notes to financial statements.

COMMUNITY ENERGY PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

| | PROGRAM SERVICES | | | | | SUPPORTING SERVICES | | 2014 Total | |
|--------------------------------|-----------------------------|---------------------------|--|--|---------------------------|----------------------------|---|-----------------------|--------------------------|
| | Weather- ization | Safety Repairs | Lead Poisoning Prevention | Do-It-Yourself Weather- ization | Pilot Programs | Total | Manage- ment and General | | Fund- raising |
| Expenses | | | | | | | | | |
| Personnel expense | \$ 224,555 | \$ 17,448 | \$ 62,641 | \$ 59,485 | \$ 4,650 | \$ 368,779 | \$ 18,999 | \$ 40,698 | \$ 428,476 |
| Professional services | 29,769 | 1,420 | 3,627 | 2,436 | - | 37,252 | 4,667 | 1,574 | 43,493 |
| Office supplies and services | 13,284 | 275 | 28,539 | 4,114 | 101 | 46,313 | 662 | 882 | 47,857 |
| Occupancy | 8,581 | 133 | 9,822 | 6,384 | 85 | 25,005 | 1,023 | 1,404 | 27,432 |
| Education and development | 1,067 | 116 | 438 | 264 | 22 | 1,907 | 172 | 171 | 2,250 |
| Insurance | 2,603 | 280 | 1,069 | 644 | 53 | 4,649 | 421 | 417 | 5,487 |
| Program supplies and materials | 18,657 | 233 | 16,529 | 890 | 373 | 36,682 | - | 3,897 | 40,579 |
| Travel expenses | 4,716 | 152 | 2,668 | 621 | 11 | 8,168 | 144 | 197 | 8,509 |
| Financial charges and interest | 1,449 | 157 | 596 | 358 | 30 | 2,590 | 234 | 232 | 3,056 |
| Volunteers and outreach | 250 | 29 | 102 | 61 | 5 | 447 | 40 | 40 | 527 |
| Miscellaneous | 4,274 | 12,665 | 1,030 | 1,276 | 1,066 | 20,311 | 23,717 | 38 | 44,066 |
| Depreciation | 2,749 | 292 | 1,129 | 680 | 57 | 4,907 | 445 | 440 | 5,792 |
| Total expense | \$ 311,954 | \$ 33,200 | \$ 128,190 | \$ 77,213 | \$ 6,453 | \$ 557,010 | \$ 50,524 | \$ 49,990 | \$ 657,524 |

See notes to financial statements.

COMMUNITY ENERGY PROJECT, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|------------------|------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (38,132) | \$ (53,476) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 4,118 | 5,792 |
| Changes in assets and liabilities: | | |
| Grants and contracts receivable | 41,566 | (6,087) |
| Prepaid expenses | 1,540 | 1,889 |
| Inventory | 29,655 | (15,998) |
| Accounts payable | (37,050) | 16,547 |
| Accrued payroll expenses | 4,099 | (2,561) |
| Net cash provided by (used in) operating activities | 5,796 | (53,894) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (9,022) | (5,326) |
| Cash flows from financing activities: | | |
| Net advances (payments) on line of credit | 20,323 | - |
| Payments on notes payable to bank | (9,978) | (36,032) |
| Advances on notes payable to bank | - | 51,000 |
| Net cash provided by (used in) financing activities | 10,345 | 14,968 |
| Change in cash and cash equivalents | 7,119 | (44,252) |
| Cash and cash equivalents, beginning of year | 42,619 | 86,871 |
| Cash and cash equivalents, end of year | \$ 49,738 | \$ 42,619 |
| Supplemental data: | | |
| Cash paid for interest | \$ 2,837 | \$ 3,056 |

See notes to financial statements.

COMMUNITY ENERGY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE A – DESCRIPTION OF ORGANIZATION

The Community Energy Project, Inc. (CEP) is a nonprofit corporation, headquartered in Portland, Oregon. CEP was first established in 1979 and was later incorporated in Multnomah County, Oregon in 1987 with a mission to empower people to maintain healthier, more livable homes, control their utility costs, and conserve natural resources.

CEP is organized into two separate but complimentary departments: The In-Home Services Program offers small measure weatherization, energy education, and home safety repairs to seniors and people with disabilities; whereas the Community Education and Outreach Program delivers information, ‘Do-It-Yourself’ training, and free materials to the public on topics related to lead poisoning prevention, small measure weatherization, and energy education.

Do-It-Yourself Weatherization and Energy Education Workshop Program offers energy information, training, and materials to people interested in learning how to resolve their home energy consumption and comfort concerns. Funded by the City of Portland Housing Bureau and Multnomah County, the program targets low-income families, but is open to all. Low-income people receive free weatherization materials, while others may purchase the same items from CEP’s retail store.

Lead Poisoning Prevention Workshop Program delivers information about sources of lead, supporting clients to develop individualized action plans to assess the risk of lead in the home. Funded by the Portland Water Bureau, the workshop explains lead detection methods, provides materials for cleaning, and offers referrals to other lead hazard reduction activities. CEP also offered Lead Safe Home Projects workshops and continued the High Efficiency Particulate Air (HEPA) Vacuum Lending service.

In-Home Weatherization program for homes of low-income families of seniors and people with disabilities provides small measure weatherization measures and energy conservation information as appropriate. All projects are funded by City of Portland’s Housing Bureau.

In-Home Safety Repair provides minor home repairs to homes of low-income families of seniors or persons with disabilities. Services include: light bulb and smoke detector replacement, bathroom safety bar installations, small plumbing repairs, stair rail replacement, ramp replacement, and more. All projects are funded by the Housing Bureau.

Interstate Corridor Urban Renewal Area Repair extended services to senior homeowners at risk for losing their homes due to deferred maintenance issues. All projects are funded by the Housing Bureau.

Volunteer & Outreach Program underpins all other program activities. This program recruits, trains, and supports volunteers and interns who provide essential labor. CEP’s mailing list and newsletters generate an above-average click rate for our industry.

COMMUNITY ENERGY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

CEP reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Classifications of net assets and support are based on the existence or absence of donor imposed restrictions.

CEP reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expenses are reported as a decrease in unrestricted net assets. Gain and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor stipulated purpose had been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions

Contributions are considered unrestricted unless the contribution has been restricted to a specific purpose by the donor. Non-cash contributions are valued at their fair value at the time of donation.

Cash and Cash Equivalents

Cash and cash equivalents represent deposits in checking, savings, and money market accounts. CEP considers all investment securities with an original maturity of three months or less to be cash equivalents.

Grants and Contracts Receivable

Grants and contracts receivable are recorded monthly as the related services are provided and billed. Management periodically assesses the need for an allowance for doubtful accounts based on historical experience and existing conditions affecting probable collection. Receivables are considered impaired if unpaid balances are not received in accordance with the contractual terms. It is CEP's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Management has determined that an allowance for doubtful accounts was not necessary as of June 30, 2015 and 2014. CEP had no grants and contracts receivable older than 90 days as of June 30, 2015 or 2014.

Inventory

Inventory consists of weatherization, lead poisoning prevention cleaning supplies, and home repair materials and supplies. Inventory is valued at the lower of cost or market.

COMMUNITY ENERGY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Capitalized items are recorded at cost if purchased or at fair value at the date received as a donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to seven years for furnishings and equipment, and thirty-nine years for the building and improvements. Expenditures for maintenance and repairs are charged to expense as incurred.

Income Taxes

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

The Organization's federal exempt organization information tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Estimates

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

Functional Allocation of Expenses

The cost of providing various programs and activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program and support services benefited based upon management's best estimate. Costs which are readily identifiable are charged directly to each functional area.

NOTE C – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject CEP to concentrations of credit risk consist principally of cash and receivables.

CEP maintains its cash balances in two financial institutions in Portland, Oregon. The balances for each are insured by the Federal Deposit Insurance Corporation. At June 30, 2015 and 2014, CEP had no uninsured cash balances.

CEP's receivables consist primarily of contractual billings with the local government agency and are unsecured. Such receivables are generally due within 30 days. CEP has not experienced any losses on these accounts.

Contract revenues from the local government agency totaled \$496,099 and \$478,113 in the years ended June 30, 2015 and 2014, respectively, which constitutes 88% and 79% of total revenues.

COMMUNITY ENERGY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|------------------|------------------|
| Land | \$ 30,795 | 30,795 |
| Building | 30,795 | 30,795 |
| Building improvements | 68,940 | 59,918 |
| Furnishings and equipment | 15,097 | 15,097 |
| Vehicle | <u>12,165</u> | <u>12,165</u> |
| | 157,792 | 148,770 |
| Less accumulated depreciation | <u>(58,716)</u> | <u>(54,598)</u> |
| Net property and equipment | <u>\$ 99,076</u> | <u>\$ 94,172</u> |

Depreciation expense was \$4,118, and \$5,792 for the years ended June 30, 2015 and 2014, respectively.

NOTE E – LINE OF CREDIT AND OTHER CREDIT AVAILABLE

The Organization maintains a \$30,000 bank line of credit. Interest is payable monthly, and all outstanding balances are due January, 2017 unless renewed. Amounts borrowed under this agreement bear interest at the Wall Street Journal West Coast index rate plus 3% (6.25% as of June 30, 2015). At June 30, 2015, \$20,323 was outstanding. The line is secured by all equipment, inventory, and other accounts. The Organization also has unsecured credit cards with available limits of \$18,000. Approximately \$3,400 was outstanding and included in accounts payable at June 30, 2015.

NOTE F – NOTE PAYABLE TO BANK

At June 30, 2015 notes payable consisted of:

| | |
|--|------------------|
| Note payable to Albina Community Bank for \$40,000; secured by real property; monthly interest and principle payments of \$791, rate is 5% per year; matures July of 2018. | \$ 26,359 |
| Note payable to Albina Community Bank for \$11,000; secured by real property; monthly interest and principle payments of \$228, rate is 7% per year; matures May of 2017. | <u>8,631</u> |
| | <u>\$ 34,990</u> |

COMMUNITY ENERGY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015 and 2014

NOTE F – NOTE PAYABLE TO BANK (CONTINUED)

The contract maturities of notes payable are as follows:

| Year Ended June 30, | | |
|------------------------|----|--------|
| 2016 | \$ | 10,568 |
| 2017 | | 15,223 |
| 2018 | | 9,199 |
| | \$ | 34,990 |

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2015 and 2014 there were no restricted net assets.

NOTE H – IN-KIND CONTRIBUTIONS

In-kind contributions of services that require special skills, that are provided by individuals possessing those skills, and that would need to be purchased if not contributed, are recognized in the financial statements.

In-kind contributions consisted of the following for the years ended June 30:

| | 2015 | 2014 |
|---|-----------|-----------|
| Professional services and labor | \$ 42,869 | \$ 29,837 |
| Use of facilities for workshops | 12,900 | 13,150 |
| Equipment, supplies, and materials | 2,807 | 24,226 |
| Total included in contributions revenue | \$ 58,576 | \$ 67,213 |

NOTE I – CONTINGENCIES

Certain amounts received under contracts with local governments are subject to audit and adjustment by those agencies. Any expenditure or claims disallowed as a result of such audits would become a liability to CEP. In the opinion of management, any adjustments that might result from such audits would not be material to the overall financial statements.

COMMUNITY ENERGY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2015 and 2014

NOTE J – RETIREMENT PLAN

CEP sponsors a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code for all eligible employees. Employees may make contributions to the plan up to the maximum amount allowed by law. CEP may also make contributions to the plan on behalf of its employees at the discretion of the Board of Directors. No contributions were made to the plan by CEP for the year ended June 30, 2015.

NOTE K – OPERATING LEASE

The Organization currently leases its office space under a 5-year operating lease commencing on March 1, 2015. Monthly payments due under the lease begin at \$3,497 per month and increase each year. Rent expense was \$13,987 for the year ended June 30, 2015. The Organization also rents storage units to house its inventory under immaterial operating leases.

Future commitments are as follows:

| <u>Year Ended June 30,</u> | |
|--------------------------------|-------------------|
| 2016 | \$ 42,379 |
| 2017 | 43,650 |
| 2018 | 44,960 |
| 2019 | 46,309 |
| 2020 | <u>31,484</u> |
| | <u>\$ 208,782</u> |

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 20, 2015, which is the date the financial statements were available to be issued.