

COMMUNITY ENERGY PROJECT, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2016

COMMUNITY ENERGY PROJECT, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10



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 statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2016, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Community Energy Project, Inc.'s June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KERN & THOMPSON, LLC

Portland, Oregon
October 31, 2016

COMMUNITY ENERGY PROJECT, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

(With Comparative Totals as of June 30, 2015)

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 522,243	\$ 49,738
Grants and contracts receivable	98,591	51,491
Prepaid expenses	4,117	4,158
Inventory	22,368	37,429
Property and equipment, net of accumulated depreciation	<u>20,184</u>	<u>99,076</u>
Total assets	<u>\$ 667,503</u>	<u>\$ 241,892</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 15,338	\$ 9,310
Accrued payroll expenses	22,415	23,906
Line of credit payable	-	20,323
Notes payable to bank	<u>-</u>	<u>34,990</u>
Total liabilities	<u>\$ 37,753</u>	<u>\$ 88,529</u>
Net assets		
Unrestricted		
Available for operations	609,566	89,277
Investment in property and equipment	<u>20,184</u>	<u>64,086</u>
Total net assets	<u>\$ 629,750</u>	<u>\$ 153,363</u>
Total liabilities and net assets	<u>\$ 667,503</u>	<u>\$ 241,892</u>

See notes to financial statements.

COMMUNITY ENERGY PROJECT, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	2016	2015
Changes in unrestricted net assets:		
Support and revenue		
Grants and contracts	\$ 629,778	\$ 527,288
Contributions	49,139	70,867
Store sales, net of related expenses	752	1,287
Special event, net of related expenses	-	3,134
Gain on sale of building	553,422	-
Miscellaneous	12,281	17,763
Total support and revenue	1,245,372	620,339
Expenses		
In-home program:		
In house repairs program	417,209	359,074
Education and outreach:		
Lead poisoning prevention	122,873	107,791
Do-it-yourself weatherization	109,277	117,084
Other programs	19,707	3,971
Total program expenses	669,066	587,920
Supporting services		
Management and general	69,553	51,304
Fundraising	30,366	19,247
Total expenses	768,985	658,471
Change in unrestricted net assets	476,387	(38,132)
Net assets, beginning of year	153,363	191,495
Net assets, end of year	\$ 629,750	\$ 153,363

See notes to financial statements.

COMMUNITY ENERGY PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	PROGRAM SERVICES					SUPPORTING SERVICES		Total	
	In House	Lead	Do-It-Yourself	Other	Total	Management and General	Fund-raising	2016	2015
	Repairs Program	Poisoning Prevention	Weather-ization	Programs					
Personnel expense	\$ 235,323	\$ 73,355	\$ 57,450	\$ 12,256	\$ 378,384	\$ 21,482	\$ 20,347	\$ 420,213	\$ 429,490
Professional services	97,538	3,162	2,589	216	103,505	1,276	1,045	105,826	69,363
Office supplies and services	10,898	4,349	6,799	114	22,160	625	1,147	23,932	24,641
Occupancy	27,703	14,300	9,169	1,191	52,363	3,519	2,053	57,935	34,206
Education and development	470	69	83	2	624	17	8	649	2,939
Insurance	6,845	2,347	1,340	285	10,817	2,005	2,416	15,238	10,138
Program supplies and materials	31,370	23,875	30,563	5,545	91,353	619	5	91,977	68,848
Travel expenses	4,711	796	724	35	6,266	162	60	6,488	5,629
Financial charges and interest	248	41	38	3	330	36,101	346	36,777	2,837
Volunteers and outreach	485	174	165	-	824	28	28	880	2,904
Miscellaneous	383	45	37	2	467	3,514	2,821	6,802	3,358
Depreciation	1,235	360	320	58	1,973	205	90	2,268	4,118
	<u>\$ 417,209</u>	<u>\$ 122,873</u>	<u>\$ 109,277</u>	<u>\$ 19,707</u>	<u>\$ 669,066</u>	<u>\$ 69,553</u>	<u>\$ 30,366</u>	<u>\$ 768,985</u>	<u>\$ 658,471</u>

See notes to financial statements.

COMMUNITY ENERGY PROJECT, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

(With Comparative Totals for the Year Ended June 30, 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 476,387	\$ (38,132)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,268	4,118
(Gain) loss on disposal of assets	(553,422)	-
Changes in assets and liabilities:		
Grants and contracts receivable	(47,100)	41,566
Prepaid expenses	41	1,540
Inventory	15,061	29,655
Accounts payable	6,028	(37,050)
Accrued payroll expenses	(1,491)	4,099
Net cash provided by (used in) operating activities	(102,228)	5,796
Cash flows from investing activities:		
Purchase of fixed assets	(19,954)	-
Sale of fixed assets	650,000	(9,022)
Net cash provided by (used in) investing activities	630,046	(9,022)
Cash flows from financing activities:		
Net advances (payments) on line of credit	(20,323)	20,323
Payments on notes payable to bank	(34,990)	(9,978)
Advances on notes payable to bank	-	-
Net cash provided by (used in) financing activities	(55,313)	10,345
Change in cash and cash equivalents	472,505	7,119
Cash and cash equivalents, beginning of year	49,738	42,619
Cash and cash equivalents, end of year	\$ 522,243	\$ 49,738
Supplemental data:		
Cash paid for interest	\$ 1,886	\$ 2,837

See notes to financial statements.

COMMUNITY ENERGY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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.

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, stair rail replacement and more. All projects are funded by the Housing Bureau.

Expanded Repair extended services to senior homeowners at risk for losing their homes due to deferred maintenance issues. Services are offered in the Interstate and Lents Urban Renewal Corridors. All projects are funded by the Housing Bureau.

Do-It-Yourself Weatherization 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, NW Natural, and Multnomah County, the program targets low-income families, but is open to all. Low-income people receive free weatherization materials.

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 offers Lead Safe Home Projects workshops and continued the High Efficiency Particulate Air (HEPA) Vacuum Lending service.

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, 2016

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, 2016. CEP had no grants and contracts receivable older than 90 days as of June 30, 2016.

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, 2016

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.

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.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CEP's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE C – CONCENTRATIONS OF CREDIT RISK

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, 2016, one bank account exceeded FDIC insurance by approximately \$275,000.

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 \$564,004 in the year ended June 30, 2016, which constitutes 45% of total revenues.

COMMUNITY ENERGY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ -	\$ 30,795
Building	-	30,795
Building improvements	-	68,940
Furnishings and equipment	15,097	15,097
Vehicle	<u>32,520</u>	<u>12,165</u>
	47,617	157,792
Less accumulated depreciation	<u>(27,433)</u>	<u>(58,716)</u>
Net property and equipment	<u>\$ 20,184</u>	<u>\$ 99,076</u>

Depreciation expense was \$2,268 for the year ended June 30, 2016.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2016 there were no restricted net assets.

NOTE F – 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:

	<u>2016</u>	<u>2015</u>
Professional services and labor	\$ 19,074	\$ 42,869
Use of facilities for workshops	12,900	12,900
Equipment, supplies, and materials	<u>950</u>	<u>2,807</u>
Total included in contributions revenue	<u>\$ 32,924</u>	<u>\$ 58,576</u>

COMMUNITY ENERGY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2016

NOTE G – 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.

NOTE H – 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, 2016.

NOTE I – 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, 2016. The Organization also rents storage units to house its inventory under immaterial operating leases.

Future commitments are as follows:

Year Ended June 30,	
2017	\$ 43,650
2018	44,960
2019	46,309
2020	<u>31,484</u>
	<u>\$ 166,403</u>

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 31, 2016, which is the date the financial statements were available to be issued.