



**NATIONAL ENERGY EDUCATION DEVELOPMENT  
PROJECT, INC.**

**Financial Statements**

*For the Year Ended December 31, 2019*

*(With Summarized Financial Information for the Year Ended December 31, 2018)*



**and  
Report Thereon**



**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**TABLE OF CONTENTS**  
**For the Year Ended December 31, 2019**

---

	<b>Page</b>
Independent Auditors' Report.....	1-2
Financial Statements	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-15

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
National Energy Education Development Project, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of the National Energy Education Project, Inc. (NEED), which comprise the statement of financial position as of December 31, 2019, 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.

Continued

- 1 -

## **Opinion**

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of the National Energy Education Project, Inc. as of December 31, 2019, 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 Matter**

### *Report on Summarized Comparative Information*

We have previously audited NEED's 2018 financial statements, and our report dated April 8, 2019, expressed an unmodified audit opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
April 14, 2020

NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019

(With Summarized Financial Information as of December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,496,125	\$ 737,820
Certificates of deposit	311,181	306,210
Grants, contracts and contributions receivable	802,643	1,180,092
Inventory	138,679	136,147
Prepaid expenses	59,280	10,174
Property and equipment, net	<u>19,966</u>	<u>13,863</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,827,874</u></u>	<u><u>\$ 2,384,306</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 423,577	\$ 156,811
Refundable advances	12,110	34,951
Deferred rent	<u>8,636</u>	<u>8,977</u>
<b>TOTAL LIABILITIES</b>	<u>444,323</u>	<u>200,739</u>
<b>Net Assets</b>		
Without donor restrictions	123,096	102,683
With donor restrictions	<u>2,260,455</u>	<u>2,080,884</u>
<b>TOTAL NET ASSETS</b>	<u>2,383,551</u>	<u>2,183,567</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,827,874</u></u>	<u><u>\$ 2,384,306</u></u>

The accompanying notes are an integral part of these financial statements.

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2019**

**(With Summarized Financial Information for the Year Ended December 31, 2018)**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<b>REVENUE AND SUPPORT</b>				
Grants, contracts and contributions	\$ 2,589,731	\$ 1,640,207	\$ 4,229,938	\$ 5,164,521
Conference and youth awards	335,918	-	335,918	359,895
Curriculum and kit sales	126,312	-	126,312	132,947
In-kind contributions	33,500	-	33,500	43,500
Interest income	20,938	-	20,938	13,337
Other income	21,743	-	21,743	24,464
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,460,636	(1,460,636)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>4,588,778</b>	<b>179,571</b>	<b>4,768,349</b>	<b>5,738,664</b>
<b>EXPENSES</b>				
Program Services:				
Workshops and conferences	1,993,507	-	1,993,507	1,733,432
Kits and materials	867,635	-	867,635	961,938
Program administration	671,328	-	671,328	931,482
Youth awards	365,177	-	365,177	387,350
Curriculum development	253,293	-	253,293	208,747
Training conferences	180,871	-	180,871	184,857
Program development	114,564	-	114,564	65,339
<b>Total Program Services</b>	<b>4,446,375</b>	<b>-</b>	<b>4,446,375</b>	<b>4,473,145</b>
Supporting Services:				
General and administrative	61,723	-	61,723	58,300
Fundraising	60,267	-	60,267	42,605
<b>Total Supporting Services</b>	<b>121,990</b>	<b>-</b>	<b>121,990</b>	<b>100,905</b>
<b>TOTAL EXPENSES</b>	<b>4,568,365</b>	<b>-</b>	<b>4,568,365</b>	<b>4,574,050</b>
<b>CHANGE IN NET ASSETS</b>	<b>20,413</b>	<b>179,571</b>	<b>199,984</b>	<b>1,164,614</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>102,683</b>	<b>2,080,884</b>	<b>2,183,567</b>	<b>1,018,953</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 123,096</b>	<b>\$ 2,260,455</b>	<b>\$ 2,383,551</b>	<b>\$ 2,183,567</b>

The accompanying notes are an integral part of these financial statements.

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2019**  
**(With Summarized Financial Information for the Year Ended December 31, 2018)**

	Program Services							Supporting Services			2019 Total	2018 Total	
	Workshops and Conferences	Kits and Materials	Program Administration	Youth Awards	Curriculum Development	Training Conferences	Program Development	Total Program Services	General and Administrative	Fundraising			Total Supporting Services
Personnel costs	\$ 444,901	\$ 129,828	\$ 433,938	\$ 21,664	\$ 216,824	\$ 18,011	\$ 64,846	\$ 1,330,012	\$ 40,223	\$ 26,503	\$ 66,726	\$ 1,396,738	\$ 1,405,260
Conferences and workshops	489,646	-	-	-	-	-	-	489,646	-	-	-	489,646	461,794
Kit purchases	-	474,435	-	-	-	-	-	474,435	-	-	-	474,435	537,306
Travel	333,128	171	17,174	42,400	2,123	48,126	6,586	449,708	162	6,549	6,711	456,419	478,381
Youth awards	-	-	-	256,752	-	-	-	256,752	-	-	-	256,752	279,612
Professional services	75,594	4,000	139,777	907	6,680	555	11,403	238,916	5,115	10,222	15,337	254,253	174,017
Computer equipment and supplies	158,457	3,386	14,609	30,152	2,684	1,599	11,550	222,437	1,807	11,133	12,940	235,377	222,194
Postage and shipping	112,906	34,040	7,001	1,694	3,053	7,578	1,315	167,587	977	1,089	2,066	169,653	178,691
Stipends	141,044	-	4,400	3,150	1,800	6,050	200	156,644	-	-	-	156,644	125,146
Curriculum	-	135,946	-	-	-	-	-	135,946	-	-	-	135,946	168,747
Rent	11,133	70,751	10,859	542	5,426	451	1,623	100,785	4,155	663	4,818	105,603	105,595
Substitute pay	102,979	-	-	-	-	-	-	102,979	-	-	-	102,979	151,852
Training conference	-	-	-	-	-	96,389	-	96,389	-	-	-	96,389	101,962
Scholarships, awards and grants	88,004	-	-	6,000	-	-	300	94,304	-	-	-	94,304	32,426
Telephone and communications	6,145	6,060	7,798	273	3,107	227	817	24,427	2,092	334	2,426	26,853	26,990
Dues and subscriptions	7,189	1,032	6,966	844	3,546	115	1,614	21,306	1,064	1,368	2,432	23,738	13,616
Repairs and maintenance	4,395	3,573	4,286	214	2,142	178	641	15,429	1,640	262	1,902	17,331	17,538
Program development	-	-	-	-	-	-	11,912	11,912	-	1,421	1,421	13,333	10,967
Office equipment rental	3,295	1,867	3,214	160	1,606	133	480	10,755	1,230	196	1,426	12,181	12,106
Insurance	3,098	733	2,452	122	1,225	1,037	366	9,033	938	150	1,088	10,121	16,560
Program administration	-	-	7,751	-	-	-	-	7,751	-	-	-	7,751	19,521
Bank service charges	2,024	591	1,974	99	987	82	295	6,052	756	121	877	6,929	8,874
Printing and copying	4,258	207	737	35	396	199	105	5,937	265	44	309	6,246	8,756
Miscellaneous expenses	1,960	37	5,123	6	61	5	22	7,214	51	12	63	7,277	7,503
Utilities	1,796	524	1,752	87	875	73	262	5,369	670	107	777	6,146	5,239
Depreciation	1,555	454	1,517	76	758	63	227	4,650	578	93	671	5,321	3,397
<b>TOTAL EXPENSES</b>	<b>\$ 1,993,507</b>	<b>\$ 867,635</b>	<b>\$ 671,328</b>	<b>\$ 365,177</b>	<b>\$ 253,293</b>	<b>\$ 180,871</b>	<b>\$ 114,564</b>	<b>\$ 4,446,375</b>	<b>\$ 61,723</b>	<b>\$ 60,267</b>	<b>\$ 121,990</b>	<b>\$ 4,568,365</b>	<b>\$ 4,574,050</b>

The accompanying notes are an integral part of these financial statements.

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2019**

**(With Summarized Financial Information for the Year Ended December 31, 2018)**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 199,984	\$ 1,164,614
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,321	3,397
Change in assets and liabilities:		
Grants, contracts and contributions receivable	377,449	(762,501)
Inventory	(2,532)	(23,151)
Prepaid expenses	(49,106)	8,102
Accounts payable and accrued expenses	266,766	(245,630)
Refundable advances	(22,841)	31,801
Deferred rent	<u>(341)</u>	<u>2,737</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>774,700</u>	<u>179,369</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on certificates of deposit	(4,971)	(3,415)
Purchases of property and equipment	<u>(11,424)</u>	<u>(10,718)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(16,395)</u>	<u>(14,133)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	758,305	165,236
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>737,820</u>	<u>572,584</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,496,125</u>	<u>\$ 737,820</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
<b>NONCASH INVESTING ACTIVITIES</b>		
Proceeds from matured certificates of deposit	173,708	132,508
Purchase of certificates of deposits	<u>(173,708)</u>	<u>(132,508)</u>
	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



# NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

---

### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

The National Energy Education Development Project, Inc. (NEED) was incorporated under the laws of the Commonwealth of Virginia on November 20, 1991. NEED develops and provides comprehensive trainings and curricula on energy resources to teachers and students nationwide. NEED also annually conducts a national awards program to recognize excellence in energy programming. These activities are funded primarily through grants, contracts and contributions from major energy-related corporations and associations, federal and state governments, local sponsors, and school districts throughout the United States.

#### **Basis of Accounting**

The financial statements of NEED have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

#### **Cash Equivalents**

Cash equivalents include money market funds and highly liquid investments with initial maturities of three months or less.

#### **Certificates of Deposit**

Certificates of deposit with initial maturities of more than three months are not considered cash equivalents. Certificates of deposit are recorded in the financial statements 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.

#### **Fair Value Measurement**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (GAAP), and requires disclosures about fair value measurements for assets and liabilities measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurement, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, or unobservable, whereby market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019**

---

1. Organization and Summary of Significant Accounting Policies (continued)

**Fair Value Measurement (continued)**

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of and for the year ended December 31, 2019, only NEED's certificates of deposit, as described in Note 3 to these financial statements, were measured at fair value on a recurring basis.

**Grants, Contracts and Contributions Receivable**

NEED uses the allowance method to record potentially uncollectible grants, contracts and contributions receivable. The allowance is based on management's analysis of specific accounts and promises to give. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

**Inventory**

Inventory, which consists of printed materials and educational kits, is valued at net realizable value using the average cost method.

**Property and Equipment and Related Depreciation**

Property and equipment with a useful life of more than one year and an acquisition cost greater than \$1,000 are capitalized at cost. Depreciation on computers, furniture and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in revenue or expense in the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

**Classification of Net Assets**

NEED's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of NEED's operations.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of NEED or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2019, NEED had no net assets with donor restrictions that are required to be maintained in perpetuity.

Continued

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019**

---

1. Organization and Summary of Significant Accounting Policies (continued)

**Revenue Recognition**

Unconditional grants and contributions are reported as revenue in the year in which the payments are received and/or unconditional promises to give are made. NEED reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or the purpose of a 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. Donor-restricted grants and contributions whose restrictions are met in the same reporting period in which they are received are reported as unrestricted revenue and support. Grants and contributions that have been committed to NEED, but have not been received as of year-end, are reflected as grants, contracts and contributions receivable in the accompanying statement of financial position.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. NEED has cost-reimbursable grants with private companies and organizations that are considered conditional contributions. Revenue from these grants are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue recognized on cost-reimbursable grants for which payments have not been received is reflected as grants, contracts and contributions receivable in the accompanying statement of financial position. Grant payments received but not yet expended for the purpose of the grant are reflected as refundable advances in the accompanying statement of financial position. Contracts which represent services performed are recognized at the time the services are provided based on deliverables established in the contracts.

Revenue and the related costs of the conference and youth awards are recognized in the year in which the conference is held or youth awards are awarded.

Curriculum and kit sales are recorded as revenue when the related materials are shipped.

**In-Kind Contributions**

In-kind contributions consist of contributed materials and legal services. The value of the in-kind contributions is recorded as revenue and expenses at the estimated fair value as of the date of receipt or the date the services were provided. The amount is included in in-kind contributions in the accompanying statement of activities.

**Functional Expense Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to specific functional areas of NEED are reported as expenses of those functional areas. Salaries are allocated to programs and supporting services based on employees' timesheets, except for the Executive Director's salary, which is allocated based on the estimate of her time and effort expended on each program and supporting service area. General and

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2019**

---

1. Organization and Summary of Significant Accounting Policies (continued)

**Functional Expense Allocation (continued)**

administrative expenses (which include administrative personnel costs, computer equipment and supplies, occupancy costs, and depreciation) are allocated to programs and supporting services based on actual payroll costs charged to each program and supporting service area.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**New Accounting Pronouncements**

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. NEED adopted ASU 2014-09 and related amendments on January 1, 2019, using the modified retrospective method and elected to apply the standard only to program service contracts that were not completed as of that date. The adoption of the standard did not impact NEED's results of operations or change in net assets.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. NEED implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

2. Grants, Contracts and Contributions Receivable

Grants, contracts and contributions receivable of \$802,643 were all due within one year as of December 31, 2019, and are deemed fully collectible. Accordingly, no allowance for uncollectible grants and contributions receivable has been provided.

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2019**

3. Certificates of Deposit

The following table summarizes NEED's certificates of deposit measured at fair value on a recurring basis as of December 31, 2019, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	<u>\$ 311,181</u>	<u>\$ -</u>	<u>\$ 311,181</u>	<u>\$ -</u>

The certificates of deposit are recorded at fair value by discounting the related cash flows based on current yields of similar instruments with comparable characteristics.

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2019:

Computer equipment	\$ 31,777
Office furniture and equipment	<u>48,252</u>
Total Property and Equipment	80,029
Less: Accumulated Depreciation	<u>(60,063)</u>
Property and Equipment, Net	<u>\$ 19,966</u>

During the year ended December 31, 2019, NEED recorded depreciation expense related to property and equipment of \$5,321.

5. Net Assets

**Net Assets With Donor Restrictions**

As of December 31, 2019, net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for specified purpose:	
Kits and materials	\$ 642,723
Workshops and conferences	674,418
Program administration	883,697
Training conferences	26,749
Curriculum development	6,868
Youth awards	<u>6,000</u>
Total Subject to Expenditure for Specified Purpose	<u>2,240,455</u>

Continued

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019**

5. Net Assets (continued)

**Net Assets With Donor Restrictions (continued)**

Subject to passage of time:

General operations for the year ending December 31, 2020	\$ <u>20,000</u>
Total Subject to the Passage of Time	<u>20,000</u>
Total Net Assets With Donor Restrictions	\$ <u><u>2,260,455</u></u>

6. Commitments, Risks and Contingencies

**Office Leases**

NEED has a noncancelable operating lease agreement for its office space in Manassas, Virginia, which expires on April 30, 2021. The lease calls for monthly payments of \$2,983 in the first year, with annual increases thereafter.

NEED has a second noncancelable operating lease for its second office and a warehouse location in Roanoke, Virginia, which expires February 29, 2022. The lease calls for monthly payments of \$5,885 in the first year, with annual increases thereafter.

The terms of both leases provide for a 3% increase in future minimum rental payments. Under GAAP, all fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position. Rent expense for both of the leases was \$105,603 for the year ended December 31, 2019.

The future minimum lease payments required under these leases were as follows as of December 31, 2019:

<u>For the Year Ending December 31,</u>	<u>Roanoke</u>	<u>Manassas</u>	<u>Total</u>
2020	\$ 68,963	\$ 39,892	\$ 108,855
2021	71,031	13,428	84,459
2022	<u>11,896</u>	<u>-</u>	<u>11,896</u>
Total	\$ <u><u>151,890</u></u>	\$ <u><u>53,320</u></u>	\$ <u><u>205,210</u></u>

**Concentration of Credit Risk**

NEED maintains its cash and cash equivalents with commercial financial institutions, which aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2019, NEED's account balances exceeded the maximum limit insured by the FDIC by approximately \$1,613,000. NEED monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

Continued

# NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

### 7. Availability and Liquidity

NEED regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. NEED's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2019, were as follows:

Cash and cash equivalents	\$ 1,496,125
Grants, contracts and contributions receivable	802,643
Certificates of deposit	<u>311,181</u>
Total Financial Assets as of Year-End	<u>\$ 2,609,949</u>

NEED has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. NEED's working capital and cash flows come from grants, contracts and contributions that are received at various time throughout the year. Management is focused on sustaining the financial liquidity of NEED throughout the year. This is done through monitoring and reviewing NEED's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of NEED's cash flows related to NEED's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in certificates of deposit. NEED can liquidate the certificates of deposit at any time, and therefore the certificates of deposit are available to meet current cash flow needs. To help manage unanticipated liquidity needs, NEED has a committed line of credit of \$75,000, of which approximately \$75,000 was unused and available to draw upon as of December 31, 2019. NEED's line of credit is secured by NEED's certificates of deposit. NEED considers all the net assets with donor restrictions to be available to cover general operating needs within one year as they are either due to be collected within one year or use for general operations. NEED defines its general operating expenses as covering program expenses.

### 8. In-Kind Contributions

During the year ended December 31, 2019, NEED received in-kind contributions consisting of contributed materials and legal services. These in-kind contributions are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value, as provided by the donor at the date of receipt. For the year ended December 31, 2019, in-kind contributions consisted of \$30,000 of contributed materials and \$3,500 of contributed legal services.

### 9. Pension Plan

NEED maintains a Section 403(b) pension benefit plan for its employees. NEED's matching tax-sheltered annuity plan allows for a pretax employee contribution up to the maximum amount currently permitted by law and a 100% employer match up to 6% of compensation. The plan provides for immediate vesting for employees. Pension expense was \$52,208 for the year ended December 31, 2019.

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2019**

---

10. Line of Credit

NEED has a revolving line of credit agreement with a bank. The line of credit has a borrowing limit of \$75,000. Funds drawn against this line of credit accrue interest at a variable rate based on the prime rate established by the bank plus 0.75%, which totaled 5.50% at December 31, 2019. The line of credit is secured by NEED's certificates of deposit. As of December 31, 2019, NEED had no outstanding balance on this line of credit.

11. Income Taxes

NEED is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the year ended December 31, 2019, as NEED had no unrelated business income.

NEED follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. NEED performed an evaluation of uncertainty in income taxes for the year ended December 31, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status, and there are currently no examinations in progress. It is NEED's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax or interest expense. As of December 31, 2019, NEED had no accruals for interest and/or penalties.

12. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with NEED's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

13. Subsequent Events

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. NEED has been able to continue most of its operations in a disrupted environment and is making plans to adjust activities that cannot; however, at this point, the extent to which COVID-19 may impact NEED's financial condition or results of operations is evolving and uncertain.



**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2019**

---

13. Subsequent Events (continued)

In preparing these financial statements, NEED has evaluated events and transactions for potential recognition or disclosure through April 14, 2020, the date the financial statements were available to be issued. Except for the subsequent event disclosed above, there were no subsequent events identified through April 14, 2020, that require recognition or disclosure in these financial statements.