ENVIRONMENT NORTHEAST

Financial Statements

December 31, 2013 and 2012

Independent Auditor's Report

To the Board of Directors
Environment Northeast

Report on the Financial Statements

We have audited the accompanying statements of financial position of Environment Northeast (a nonprofit organization) (the "Organization"), as of December 31, 2013 and 2012, 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.

Auditor's 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 of 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 auditor's 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 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 Environment Northeast as of December 31, 2013 and 2012, 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.

Runyon Kersteen Ouellette

September 5, 2014
South Portland, Maine

ENVIRONMENT NORTHEAST
Statements of Financial Position
December 31, 2013 and 2012

		2013	2012
ASSETS			
Current assets:			
Cash and cash equivalents	$	2,258,428	1,799,006
Accounts and grants receivable		3,890	11,983
Prepaid expenses		10,194	7,952
Total current assets		2,272,512	1,818,941
Property and equipment:			
Furniture, equipment and software		41,486	44,134
Less accumulated depreciation		(35,650)	(39,011)
Net property and equipment		5,836	5,123
Other assets:			
Deposits		5,298	5,558
Investments		7,110	356,189
Total other assets		12,408	361,747
Total assets	**$**	**2,290,756**	**2,185,811**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses		9,109	15,054
Accrued payroll and related expenses		33,287	5,806
Total current liabilities		42,396	20,860
Total liabilities		42,396	20,860
Net assets:			
Unrestricted:			
Undesignated		1,305,024	1,269,397
Net investment in property and equipment		5,836	5,123
Total unrestricted		1,310,860	1,274,520
Temporarily restricted		937,500	890,431
Total net assets		2,248,360	2,164,951
Total liabilities and net assets	**$**	**2,290,756**	**2,185,811**

See accompanying notes to financial statements.

ENVIRONMENT NORTHEAST
Statements of Activities
Years Ended December 31, 2013 and 2012

		2013	2012
Unrestricted support and revenue:			
Contributions	$	25,889	15,020
Foundations and grants		465,689	262,647
Interest income		2,463	5,060
Unrealized gain on investments		1,446	319
Other revenue		4,339	2,585
Net assets released from restrictions		1,378,681	1,568,219
Total unrestricted support and revenue		1,878,507	1,853,850
Expenses:			
Program services		1,674,820	1,556,631
Management and general		52,590	69,750
Fundraising and development		114,757	94,176
Total expenses		1,842,167	1,720,557
Change in unrestricted net assets		36,340	133,293
Temporarily restricted net assets:			
Contributions and grants		1,425,750	1,443,270
Net assets released from restrictions		(1,378,681)	(1,568,219)
Change in temporarily restricted net assets		47,069	(124,949)
Total change in net assets		83,409	8,344
Net assets, beginning of year		2,164,951	2,156,607
Net assets, end of year	**$**	**2,248,360**	**2,164,951**

See accompanying notes to financial statements.

ENVIRONMENT NORTHEAST
Statement of Functional Expenses
Year Ended December 31, 2013

	Program services	Management and general	Fundraising and development	Total expenses
Salaries	$ 925,722	16,243	88,000	1,029,965
Payroll taxes and fringe benefits	205,841	7,263	15,936	229,040
Consultants	306,388	6,585	4,694	317,667
Grants to others	40,000	-	-	40,000
Accounting	10,010	2,069	326	12,405
Other professional fees	1,603	138	138	1,879
Office supplies	3,487	764	177	4,428
Communications	20,884	1,123	1,324	23,331
Postage	494	279	117	890
Rent	63,087	4,779	2,057	69,923
Printing	1,893	19	114	2,026
Travel	25,416	4,057	645	30,118
Meetings and conferences	11,480	2,469	315	14,264
Insurance	2,096	1,137	68	3,301
Books and subscriptions	1,318	708	69	2,095
Bank fees	114	815	124	1,053
Website	498	145	-	643
Technology	3,582	225	117	3,924
Lobbying fees	768	615	-	1,383
Other taxes	32,268	-	-	32,268
All other	14,884	3,029	440	18,353
Total expenses before depreciation	1,671,833	52,462	114,661	1,838,956
Depreciation	2,987	128	96	3,211
Total expenses	**$ 1,674,820**	**52,590**	**114,757**	**1,842,167**

See accompanying notes to financial statements.

ENVIRONMENT NORTHEAST
Statement of Functional Expenses
Year Ended December 31, 2012

	Program services	Management and general	Fundraising and development	Total expenses
Salaries	$ 995,114	26,114	70,744	1,091,972
Payroll taxes and fringe benefits	213,039	8,431	11,160	232,630
Consultants	119,808	865	6,395	127,068
Grants to others	40,000	-	-	40,000
Accounting	10,069	2,147	328	12,544
Other professional fees	752	410	-	1,162
Office supplies	2,587	1,561	343	4,491
Communications	18,615	2,670	397	21,682
Postage	206	524	22	752
Rent	67,363	3,995	2,131	73,489
Printing	8,093	536	94	8,723
Travel	35,994	8,203	1,105	45,302
Meetings and conferences	9,065	1,004	161	10,230
Insurance	2,551	3,309	86	5,946
Books and subscriptions	996	560	98	1,654
Bank fees	25	801	-	826
Website	4,550	1,371	150	6,071
Technology	3,404	195	111	3,710
Lobbying fees	1,412	1,271	33	2,716
Other taxes	7,903	-	-	7,903
All other	10,435	5,583	668	16,686
Total expenses before depreciation	1,551,981	69,550	94,026	1,715,557
Depreciation	4,650	200	150	5,000
Total expenses	**$ 1,556,631**	**69,750**	**94,176**	**1,720,557**

See accompanying notes to financial statements.

ENVIRONMENT NORTHEAST
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Change in net assets	$	83,409	8,344
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		3,211	5,000
Unrealized gains on investments		(1,446)	(319)
(Increase) decrease in assets:			
Accounts and grants receivable		8,093	244,759
Prepaid expenses		(2,242)	(2,251)
Deposits		260	(1,000)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		(5,945)	(6,248)
Accrued payroll and related expenses		27,481	(86,994)
Net cash provided by operating activities		112,821	161,291
Cash flows from investing activities:			
Purchases of property and equipment		(4,247)	(3,220)
Proceeds from sale of property and equipment		324	508
Sales (purchases) of investments		350,524	(178,778)
Net cash provided by (used in) investing activities		346,601	(181,490)
Net change in cash		459,422	(20,199)
Cash, beginning of year		1,799,006	1,819,205
Cash, end of year	**$**	**2,258,428**	**1,799,006**

See accompanying notes to financial statements.

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Environment Northeast (the "Organization") is a nonprofit organization committed to addressing large-scale environmental problems that threaten regional ecosystems, human health or the management of regionally significant natural resources, primarily in a bioregional ecosystem including New England and Eastern Canada. The Organization addresses these problems through policy analysis, collaborative problem solving efforts, and an advocacy program that promotes environmental sustainability.

Basis of Accounting - The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation - The financial statement presentation follows the recommendations of the *Not-for-Profit Entities: Revenue Recognition* topic and the *Presentation of Financial Statements* topic of the FASB Accounting Standards Codification. Under these recommendations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Expenditures of these assets in satisfaction of such restrictions (including the purchase of long-lived assets) are presented as net assets released from restrictions within the statements of activities, thereby reducing temporarily restricted net assets and increasing unrestricted net assets.

- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

For the years ended December 31, 2013 and 2012, the Organization had no permanently restricted net assets.

Revenue - The Organization's principal funding sources are contributions, gifts, and grants from the general public and private foundations.

Income Taxes - The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization follows the provisions of *Accounting for Uncertainty in Income Taxes* as provided for in the *Income Taxes* topic of the FASB Accounting Standards Codification. This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There were no liabilities (or reduction in amounts refundable) for unrecognized tax benefits at December 31, 2013 and 2012, and no interest or penalties were accrued. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2010 through 2013.

Expense Allocation - The costs of providing program and other 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 programs and supporting services based on direct labor incurred.

Cash and Cash Equivalents - For financial statement purposes, the Organization considers all depository accounts with financial institutions, including certificates of deposit with original maturities of less than 90 days and money market funds, to be cash and cash equivalents.

Accounts and Grants Receivable - Accounts and grants receivable consist of grants awarded but not yet received and other amounts owed to the Organization, that are collectible within one year of year end. Management has deemed all accounts and grants receivable to be fully collectible, therefore no allowance for uncollectible accounts has been recorded.

Property and Equipment - Significant items of equipment with estimated useful lives of more than one year and with a cost of $500 or more are capitalized at cost if purchased, or fair market value if donated. The Organization depreciates equipment using the straight-line method. Estimated useful lives of the respective assets range from 3-5 years.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from these estimates.

CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at various financial institutions in the United States (U.S.) and Canada. As of December 31, 2013 and 2012, interest bearing deposits in the U.S. were insured by FDIC up to a maximum amount of $250,000 per institution, non-interest bearing deposits in the U.S. carried unlimited FDIC insurance coverage, and deposits in Canada were insured by CDIC up to a maximum amount of $100,000 per institution. Additionally, the Organization holds a repurchase agreement with a local bank providing federally-backed collateralization for certain cash balances. At December 31, 2013 and 2012, the Organization's uninsured and uncollateralized cash balances totaled $460,841 and $99,445, respectively.

INVESTMENTS

In accordance with the *Fair Value Measurement and Disclosure* topic of the FASB Accounting Standards Codification, the Organization reports its investments at fair value.

Investments at December 31, 2013 and 2012 were composed of the following:

	2013	2012
Certificates of deposit	$ -	352,382
Corporate stocks and bonds	7,110	3,807
Total investments	$ 7,110	356,189

The Organization considers certificates of deposit with original maturities of greater than 90 days to be long-term investments and are shown as such on the statements of financial position. All others are considered to be cash and cash equivalents and are shown as current assets on the statements of financial position.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

In accordance with the *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification, the Organization is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements.

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date. *Level 2:* Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly. *Level 3:* Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS, CONTINUED

The reported values of assets measured at fair value on a recurring basis are classified as follows at December 31, 2013:

		Fair value at 12/31/13 using:		
	Totals 12/31/13	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Non-current investments				
Certificates of deposit	$ -	-	-	-
Large cap stocks	7,110	7,110	-	-
Total	**$ 7,110**	**7,110**	**-**	**-**

The reported values of assets measured at fair value on a recurring basis are classified as follows at December 31, 2012:

		Fair value at 12/31/12 using:		
	Totals 12/31/12	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Non-current investments				
Certificates of deposit	$ 352,382	352,382	-	-
Large cap stocks	3,807	3,807	-	-
Total	**$ 356,189**	**356,189**	**-**	**-**

Transfers between level 1 and level 2 assets are recognized on the actual date of the event or change in circumstance that caused the transfer; there were no transfers between level 1 and level 2 assets during the years ended December 31, 2013 and 2012, respectively.

DEFINED CONTRIBUTION PLAN

The Organization has a 401(k) plan through which eligible employees may make pre-tax elective deferrals up to limits set by law. The plan provides for an employer match of 100% of employee contributions up to a deferral of 6% of pay, as well as non-elective employer contributions which may be made at the discretion of the Organization. Total expenses relating to pension plan contributions for the years ended December 31, 2013 and 2012 amounted to $51,763 and $56,772, respectively.

OPERATING LEASE OBLIGATIONS

During the year ended December 31, 2008, the Organization entered into an operating lease for office space located in Hartford, Connecticut under the terms of a non-cancelable lease. The original term of this lease agreement was three years, with an additional three-year renewal option available thereafter, which was exercised in 2011. In 2013, the lease terms were amended to extend until 2019. The lease calls for monthly payments of rent ranging from $1,470 to $1,820 per month during the term of the lease. During the year ended December 31, 2012, the Organization entered into an operating lease for office space located in Providence, Rhode Island under the terms of a non-cancelable lease. The original term of this lease agreement was one year, with an option to renew per mutual agreement. The lease calls for monthly payments of $1,000 per month. During the year ended December 31, 2013, the Organization entered into another operating lease in Providence, Rhode Island under the terms of a non-cancelable lease. The original term of this lease is three years. The lease calls for monthly payments of rent of $740. During the year ended December 31, 2013, the Organization entered into an operating lease in Ottawa, Canada under the terms of a non-cancelable lease. The original term of this lease is one year. The lease calls for monthly payments of $445. During the years ended December 31, 2013 and 2012, the Organization incurred rental costs in relation to these leases amounting to $32,458 and $25,340, respectively. Estimated future minimum payments under these leases are as follows:

Year ending	Amount
2014	$ 28,698
2015	29,186
2016	23,741
2017	21,256
2018	21,731
Thereafter	5,463
Total	**$ 130,075**

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of funds whose use is restricted for the following programs at December 31:

	2013	2012
Climate	$ 167,000	124,250
Transportation	50,000	54,984
Energy	720,500	689,697
Other	-	21,500
Total	$ 937,500	890,431

CONDITIONAL PROMISES TO GIVE

In 2013, the Organization was awarded several multi-year grants from two private foundations, to be used to further its efforts in advancing energy efficiency and reducing greenhouse gas emissions. The amount of these grants totaled $1,245,000. Of this amount, $485,000 was received in 2013, while the remaining $760,000 is scheduled to be received in 2014 and 2015 upon the satisfaction of certain conditions. Accordingly, no receivable or revenue has been recognized within the accompanying financial statements at December 31, 2013 relating to these unpaid balances, as management views these commitments as conditional promises to give not qualifying for recognition under the *Not-for-Profit Entities Revenue Recognition topic of the FASB Accounting Standards Codification*. Revenue arising from these unpaid amounts is expected to be recognized upon the satisfaction of the associated conditions in future years.

SUBSEQUENT EVENTS

In accordance with the *Subsequent Events* topic of the FASB Accounting Standards Codification, management has evaluated subsequent events for possible recognition or disclosure through September 5, 2014, which is the date these financial statements were available to be issued.