



Financial Statements

December 31, 2016

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Independent Auditors' Report

To the Board of Directors
Acadia Center
Rockport, Maine

We have audited the accompanying financial statements of Acadia Center (a nonprofit organization) (Organization), which comprise the statements of financial position as of December 31, 2016, and 2015 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 audits 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 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 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 Acadia Center as of December 31, 2016 and 2015 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.



Board of Directors
Acadia Center

Other Matter

As discussed in Note 10 to the financial statements, an error resulted in an overstatement of temporarily restricted net assets and an understatement of unrestricted net assets as of December 31, 2015, was discovered by management during the current year. Accordingly, amounts reported have been restated in the 2015 financial statements now presented. Our opinion is not modified with respect to that matter.

A handwritten signature in blue ink, appearing to read "Macphee LLC".

South Portland, Maine
January 2, 2018

Statements of Financial Position

December 31,

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents	\$ 2,390,100	\$ 2,147,790
Contributions and grants receivable	440,177	176,146
Prepaid expenses	8,402	9,269
Total Current Assets	<u>2,838,679</u>	<u>2,333,205</u>
Furniture and Equipment		
Furniture, equipment and software	59,160	57,838
Accumulated depreciation	(49,274)	(43,781)
	<u>9,886</u>	<u>14,057</u>
Other Assets		
Deposits	14,782	14,782
Investments	490,015	464,455
Total Other Assets	<u>504,797</u>	<u>479,237</u>
Total Assets	<u>\$ 3,353,362</u>	<u>\$ 2,826,499</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	15,492	10,471
Total Current Liabilities	<u>15,492</u>	<u>10,471</u>
Total Liabilities	<u>15,492</u>	<u>10,471</u>
Net Assets		
Unrestricted		
Undesignated	1,774,817	1,571,929
Net investment in property and equipment	9,886	14,057
Total unrestricted	<u>1,784,703</u>	<u>1,585,986</u>
Temporarily restricted	1,553,167	1,230,042
	<u>3,337,870</u>	<u>2,816,028</u>
Total Liabilities and Net Assets	<u>\$ 3,353,362</u>	<u>\$ 2,826,499</u>

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

Statements of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Totals
Revenue and Other Support			
Contributions	\$ 78,139		\$ 78,139
Foundations and grants	119,734	\$ 2,188,000	2,307,734
Interest income	1,717		1,717
Realized and unrealized loss on investments	(1,290)		(1,290)
Other revenue	10,300		10,300
Total Revenue and Other Support - Before Net Assets Released From Restriction	<u>208,600</u>	<u>2,188,000</u>	<u>2,396,600</u>
Net Assets Released from Restrictions			
Satisfaction of time and purpose restrictions	<u>1,864,875</u>	<u>(1,864,875)</u>	
Total Revenue and Other Support	<u>2,073,475</u>	<u>323,125</u>	<u>2,396,600</u>
Expenses			
Program services	1,669,923		1,669,923
Management and general	117,426		117,426
Fundraising and development	87,409		87,409
Total Expenses	<u>1,874,758</u>		<u>1,874,758</u>
Change in Net Assets	198,717	323,125	521,842
Net Assets, Beginning of Year, Restated	<u>1,585,986</u>	<u>1,230,042</u>	<u>2,816,028</u>
Net Assets, End of Year	<u>\$ 1,784,703</u>	<u>\$ 1,553,167</u>	<u>\$ 3,337,870</u>

Statements of Activities - Continued

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Totals
Revenue and Other Support			
Contributions	\$ 93,682		\$ 93,682
Foundations and grants	91,750	\$ 1,858,000	1,949,750
Interest income	1,838		1,838
Realized and unrealized loss on investments	(909)		(909)
Gain on currency translation	1,225		1,225
Other revenue	6,043		6,043
Total Revenue and Other Support - Before Net Assets Released From Restriction	<u>193,629</u>	<u>1,858,000</u>	<u>2,051,629</u>
Net Assets Released from Restrictions			
Satisfaction of time and purpose restrictions, restated	<u>1,662,258</u>	<u>(1,662,258)</u>	
Total Revenue and Other Support	<u>1,855,887</u>	<u>195,742</u>	<u>2,051,629</u>
Expenses			
Program services	1,500,483		1,500,483
Management and general	91,985		91,985
Fundraising and development	72,508		72,508
Total Expenses	<u>1,664,976</u>		<u>1,664,976</u>
Change in Net Assets - Restated	190,911	195,742	386,653
Net Assets, Beginning of Year	<u>1,395,075</u>	<u>1,034,300</u>	<u>2,429,375</u>
Net Assets, End of Year, Restated	<u>\$ 1,585,986</u>	<u>\$ 1,230,042</u>	<u>\$ 2,816,028</u>

Statements of Functional Expenses

Year Ended December 31, 2016

	Program Services	Management and General	Fundraising and Development	Total Expenses
Salaries and wages	\$ 1,074,391	\$ 80,012	\$ 59,873	\$ 1,214,276
Payroll taxes and fringe benefits	193,717	15,750	10,197	219,664
Consultants	154,820	3,212	3,100	161,132
Accounting	7,360	1,255	320	8,935
Professional fees	6,982	4,276	4,279	15,537
Office supplies	5,799	346	124	6,269
Communications	22,383	1,073	689	24,145
Postage	493	233	84	810
Occupancy	106,028	4,640	4,580	115,248
Printing	775			775
Travel	59,408	717	1,180	61,305
Meeting and conferences	8,332	80	139	8,551
Insurance	2,287	3,163	100	5,550
Books and subscriptions	1,979	8	8	1,995
Bank fees	12	635	1,395	2,042
Website	8,886	332	332	9,550
Technology	7,207	448	324	7,979
Lobbying fees	327	320		647
Other taxes		17		17
Depreciation	7,058	307	307	7,672
Miscellaneous	1,679	602	378	2,659
Total Expenses	\$ 1,669,923	\$ 117,426	\$ 87,409	\$ 1,874,758

Statements of Functional Expenses - Continued

Year Ended December 31, 2015

	Program Services	Management and General	Fundraising and Development	Total Expenses
Salaries and wages	\$ 1,024,863	\$ 55,550	\$ 49,467	\$ 1,129,880
Payroll taxes and fringe benefits	191,161	10,922	11,757	213,840
Consultants	80,114	914	289	81,317
Accounting	9,646	1,481	477	11,604
Professional fees	2,235	83	82	2,400
Office supplies	4,798	2,092	172	7,062
Communications	18,471	1,142	621	20,234
Postage	719	275	144	1,138
Occupancy	81,476	4,121	3,713	89,310
Printing	11,981	79	57	12,117
Travel	41,828	1,429	1,841	45,098
Meeting and conferences	15,099	311	1,071	16,481
Insurance	2,260	3,251	74	5,585
Books and subscriptions	1,807	86	86	1,979
Bank fees	239	594	1,930	2,763
Website	946	6,280	47	7,273
Technology	5,535	748	283	6,566
Lobbying fees	327	1,065		1,392
Other taxes		14		14
Depreciation	5,640	279	279	6,198
Miscellaneous	1,338	1,269	118	2,725
Total Expenses	\$ 1,500,483	\$ 91,985	\$ 72,508	\$ 1,664,976

Statements of Cash Flows

Years Ended December 31,

	2016	2015
Cash flows used in operating activities:		
Change in net assets	<u>\$ 521,842</u>	<u>\$ 386,653</u>
Adjustments to reconcile change in net assets to net cash flows used in operating activities:		
Depreciation	7,672	6,198
Net realized and unrealized loss on investments	1,290	909
Loss on disposal of furniture and equipment		316
Gain on foreign currency translation		(1,225)
(Increase) decrease in operating assets:		
Accounts and grants receivable	(264,031)	(138,067)
Prepaid expenses	867	5,640
Other assets		2,383
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	5,021	(7,705)
Total adjustments	<u>(249,181)</u>	<u>(131,551)</u>
Net cash flows used in operating activities	<u>272,661</u>	<u>255,102</u>
Cash flows used in investing activities:		
Furniture and equipment purchases	(3,501)	(7,944)
Purchases of investments	(26,850)	(1,818)
Net cash used in investing activities	<u>(30,351)</u>	<u>(9,762)</u>
Net increase in cash and cash equivalents	242,310	245,340
Cash and cash equivalents, beginning of year	<u>2,147,790</u>	<u>1,902,450</u>
Cash and cash equivalents, end of year	<u>\$ 2,390,100</u>	<u>\$ 2,147,790</u>

Notes to Financial Statements

December 31, 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Acadia Center (the “Organization”) is a non-profit, research and advocacy organization committed to advancing the clean energy future. The Organization is at the forefront of efforts to build clean, low carbon and consumer friendly economies. The Organization’s approach is characterized by reliable information, comprehensive advocacy and problem solving through innovation and collaboration.

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles, and 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, 2016 and 2015, the Organization had no permanently restricted net assets.

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.

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 at year end. Management has deemed all accounts and grants receivable to be fully collectible; therefore, no allowance for uncollectible accounts has been recorded.

Notes to Financial Statements

December 31, 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Concentration of Revenue

Of the revenues received by the Organization for the years ended December 31, 2016 and 2015, approximately 53% and 64%, respectively, were from its four largest revenue sources. Changes in or elimination of these revenue sources could adversely affect operations of the Organization if other revenue sources are not readily available.

Revenue

The Organization's principal funding sources are contributions, gifts, and grants from the general public and private foundations. All contributions are considered available for the Organization's general programs, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets.

Expenses

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.

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.

Management has evaluated the Organization's tax position and concluded that the Organization has taken no uncertain tax position that required adjustment to the financial statements. The Organization is currently subject to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2012 through 2016.

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.

Notes to Financial Statements

December 31, 2016

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standard (IFRS). The core principle of the guidance requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for all nonpublic entities' annual periods beginning after December 15, 2018, but management presently does not expect a significant change in revenue recognition.

Leasing

In February 2016, FASB issued ASU 2016-2, *Leases*. This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of entities that lease. The proposal is for a dual-model approach; a lessee would account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both would be reported on the balance sheet of the entity. Lessors will see some changes too, largely made to align with the revised lease model. For nonpublic companies, the new leasing standard would apply for fiscal years beginning after December 15, 2019. The standard requires retroactive application to previously issued financial statements for 2019 and 2018, if presented. Management is currently evaluating the impact of adoption on its financial statements.

Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, to amend current reporting requirements to make several improvements including reducing complexities of information presented within Not-for-Profit financial statements. A main provision of this update is that a Not-for-Profit entity will report two classes of net assets (amounts for net assets with donor restrictions and net assets without donor restrictions), rather than the currently required three classes. The guidance is effective for annual periods beginning after December 15, 2017, with early application permitted. This standard requires retroactive application to previously issued financial statements for 2018 and 2017, if presented. Management is currently evaluating the impact of adoption on its financial statements.

NOTE 2 – 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, 2016 and 2015, deposits in the U.S. were insured by FDIC up to a maximum amount of \$250,000 per institution, 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 (U.S.) providing federally-backed collateralization for certain cash balances. At December 31, 2016 and 2015, the Organization's uninsured and uncollateralized cash balances totaled \$1,318 and \$1,016, respectively.

NOTE 3 – 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 at fair market value if donated. The Organization depreciates equipment using the straight-line method. Estimated useful lives of the respective assets range from three to five years.

Notes to Financial Statements

December 31, 2016

NOTE 4 – INVESTMENTS

In accordance with FASB ASC 820-10 *Fair Value Measurement*, the Organization reports its investments at fair value.

Investments at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Cash and money market funds	\$ 455,041	\$ 203,919
Fixed Income - CDs		250,703
Equities: corporate stock	<u>34,974</u>	<u>9,833</u>
	<u>\$ 490,015</u>	<u>\$ 464,455</u>

The Organization considers certificates of deposit with original maturities of greater than 90 days to be long-term investments and is 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.

The Organization invests in various investment securities and money market funds. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported in the statement of financial position.

NOTE 5 – FAIR VALUE

In accordance with FASB ASC 820-10 *Fair Value Measurement and Disclosure*, 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.

The reported values of assets measured at fair value on a recurring basis are classified as follows at December 31, 2016:

	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	\$ 455,041	\$ 455,041		
Equities: corporate stock	<u>34,974</u>	<u>34,974</u>		
	<u>\$ 490,015</u>	<u>\$ 490,015</u>		

Notes to Financial Statements

December 31, 2016

NOTE 5 – FAIR VALUE - CONTINUED

The reported values of assets measured at fair value on a recurring basis are classified as follows at December 31, 2015:

	Fair Value	Level 1	Level 2	Level 3
Cash and money market funds	\$ 203,919	\$ 203,919		
Fixed Income - CDs	250,703		\$ 250,703	
Equities: corporate stock	9,833	9,833		
	<u>\$ 464,455</u>	<u>\$ 213,752</u>	<u>\$ 250,703</u>	

Transfers between levels of assets are recognized on the actual date of the event or change in circumstance that caused the transfer; there were no transfers between levels of assets during the years ended December 31, 2016 and 2015.

NOTE 6 – NET ASSETS

Temporarily restricted net assets are comprised of the following at December 31:

	2016	2015
Clean Energy and Carbon Markets	\$ 429,625	\$ 338,791
Energy Efficiency and Demand Side	330,625	266,465
Grid Modernization and Electrification	323,417	426,179
Acadia Climate and Energy Analysis (CLEAN) Center, Reports, and Rapid Response	137,500	105,510
Public Engagement	175,667	93,097
Electrification of Transportation and Buildings	156,333	
	<u>\$ 1,553,167</u>	<u>\$ 1,230,042</u>

NOTE 7 – OPERATING LEASE

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 \$1,821 per month during the term of the lease. During the year ended December 31, 2013, the Organization entered into an operating lease in Providence, Rhode Island under the terms of a non-cancelable lease. The original term of this lease is three years. In 2016, the lease terms were amended to extend until 2020. The lease calls for monthly payments of rent of \$763. During the year ended December 31, 2014, the Organization entered into an operating lease for office space located in Boston, Massachusetts under the terms of a non-cancelable lease. The original term of this lease is five years and four months. The lease calls for monthly payments of rent ranging from \$5,608 to \$6,278 per month during the term of the lease.

In addition, the Organization leases office space in Rockport, Maine on a month to month basis. Rent expense is \$500 a month (utilities included) paid to a related party.

During the years ended December 31, 2016 and 2015, the Organization incurred rental costs in relation to these leases amounting to \$98,470 and \$83,456, respectively.

Notes to Financial Statements

December 31, 2016

NOTE 7 – OPERATING LEASE - CONTINUED

Estimated future minimum payments under these leases are, as follows:

Year Ending December 31,

2017	\$	101,207
2018		103,713
2019		89,454
2020		44,710
	\$	<u>339,084</u>

NOTE 8 – 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, 2016 and 2015 amounted to \$48,550 and \$39,792, respectively.

NOTE 9 – CONDITIONAL PROMISES TO GIVE

In 2016 and 2015 Organization received commitments for future funding contingent on certain conditions being fulfilled. Management views these commitments as conditional promises to give not qualifying for recognition under FASB ASC 958-605 *Revenue Recognition-Contributions*. Accordingly, no receivable or revenue are recognized within the financial statements until the conditions are met. For the years ended December 31, 2016 and 2015, the conditional commitments totaled \$900,000 and \$125,000 respectively.

NOTE 10 – PRIOR PERIOD RESTATEMENT

Due to an accounting error, the change in unrestricted net assets for the year ended June 30, 2015 was increased by \$662,958 from a decrease of \$472,047 to an increase of \$190,191. The offset was that change in temporarily restricted net assets decreased by \$662,958 from \$858,700 increase to an increase of \$195,742.

NOTE 11 – SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including January 2, 2018, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.