Acadia Center

Financial Statements

December 31, 2017

CONTENTS

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Independent Auditor's 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 statement of financial position as of December 31, 2017, 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.

Auditor's 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 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, 2017, 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.

Board of Directors
Acadia Center

Prior Period Financial Statements

The financial statements of Acadia Center as of December 31, 2016, were audited by Macpage LLC, who merged with Wipfli LLP as of August 1, 2018, and whose report, dated January 2, 2018, expressed an unmodified opinion on those statements.

Wipfli LLP

South Portland, Maine
April 1, 2019

Statements of Financial Position

December 31,

ASSETS	**2017**	2016
Current Assets		
Cash and cash equivalents	**$ 2,739,361**	$ 2,390,100
Contributions and grants receivable	**46,289**	440,177
Prepaid expenses	**20,126**	8,402
Total Current Assets	**2,805,776**	2,838,679
Furniture and Equipment		
Furniture, equipment and software	**86,277**	59,160
Accumulated depreciation	**(52,171)**	(49,274)
	34,106	9,886
Other Assets		
Deposits	**16,057**	14,782
Investments	**499,744**	490,015
Total Other Assets	**515,801**	504,797
Total Assets	**$ 3,355,683**	$ 3,353,362
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	**$ 30,280**	$ 15,492
Total Current Liabilities	**30,280**	15,492
Total Liabilities	**30,280**	15,492
Net Assets		
Unrestricted		
Undesignated	**1,909,285**	1,774,817
Net investment in property and equipment	**34,106**	9,886
Total unrestricted	**1,943,391**	1,784,703
Temporarily restricted	**1,382,012**	1,553,167
	3,325,403	3,337,870
Total Liabilities and Net Assets	**$ 3,355,683**	$ 3,353,362

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

Statements of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Totals
Revenue and Other Support			
Contributions	$ 76,581		$ 76,581
Foundations and grants	93,600	$ 1,980,450	2,074,050
Interest income	4,759		4,759
Realized and unrealized gain on investments	6,432		6,432
Other revenue	2,447		2,447
Total Revenue and Other Support - Before Net Assets Released from Restrictions	183,819	1,980,450	2,164,269
Net Assets Released from Restrictions			
Satisfaction of time and purpose restrictions	2,151,605	(2,151,605)	
Total Revenue and Other Support	2,335,424	(171,155)	2,164,269
Expenses			
Program services	1,975,241		1,975,241
Management and general	136,919		136,919
Fundraising and development	64,576		64,576
Total Expenses	2,176,736		2,176,736
Change in Net Assets	158,688	(171,155)	(12,467)
Net Assets, Beginning of Year	1,784,703	1,553,167	3,337,870
Net Assets, End of Year	$ 1,943,391	$ 1,382,012	$ 3,325,403

Statements of Activities - Continued

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 Restrictions	208,600	2,188,000	2,396,600
Net Assets Released from Restrictions			
Satisfaction of time and purpose restrictions, restated	1,864,875	(1,864,875)	
Total Revenue and Other Support	2,073,475	323,125	2,396,600
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	1,874,758		1,874,758
Change in Net Assets - Restated	198,717	323,125	521,842
Net Assets, Beginning of Year	1,585,986	1,230,042	2,816,028
Net Assets, End of Year, Restated	$ 1,784,703	$ 1,553,167	$ 3,337,870

Statements of Functional Expenses

Year Ended December 31, 2017

	Program Services	Management and General	Fundraising and Development	Total Expenses
Salaries and wages	$ 1,227,053	$ 70,086	$ 47,996	$ 1,345,135
Payroll taxes and fringe benefits	220,535	15,633	6,202	242,370
Consultants	242,605	11,792	219	254,616
Accounting	2,756	22,522		25,278
Professional fees	1,413	545	67	2,025
Office supplies	4,461	635	202	5,298
Communications	21,468	1,024	824	23,316
Postage	739	130	34	903
Occupancy	112,902	4,909	4,908	122,719
Printing	7,274	17	14	7,305
Travel	56,995	593	574	58,162
Meeting and conferences	10,843	103	63	11,009
Insurance	2,625	3,558	114	6,297
Books and subscriptions	3,306	107	8	3,421
Bank fees	19	595	1,456	2,070
Website	19,006	1,065	585	20,656
Technology	22,384	1,767	628	24,779
Lobbying fees	260	1,215		1,475
Depreciation	15,273	278	278	15,829
Miscellaneous	3,324	345	404	4,073
Total Expenses	$ 1,975,241	$ 136,919	$ 64,576	$ 2,176,736

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

Statements of Functional Expenses - Continued

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 Cash Flows

Years Ended December 31,

	2017	2016
Cash flows used in operating activities:		
Change in net assets	**$ (12,467)**	$ 521,842
Adjustments to reconcile change in net assets to net cash flows used in operating activities:		
Depreciation	**15,829**	7,672
Net realized and unrealized (gain) loss on investments	**(6,432)**	1,290
(Increase) decrease in operating assets:		
Accounts and grants receivable	**393,888**	(264,031)
Prepaid expenses	**(11,724)**	867
Other assets	**(1,275)**	
Increase in operating liabilities:		
Accounts payable and accrued expenses	**14,788**	5,021
Total adjustments	**405,074**	(249,181)
Net cash flows used in operating activities	**392,607**	272,661
Cash flows used in investing activities:		
Furniture and equipment purchases	**(40,049)**	(3,501)
Purchases of investments	**(3,297)**	(26,850)
Net cash used in investing activities	**(43,346)**	(30,351)
Net increase in cash and cash equivalents	**349,261**	242,310
Cash and cash equivalents, beginning of year	**2,390,100**	2,147,790
Cash and cash equivalents, end of year	**$ 2,739,361**	$ 2,390,100

Notes to Financial Statements

December 31, 2017

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, 2017 and 2016, 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, 2017

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

Fair Value Measurements

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. In determining fair value, the Organization uses various methods, including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities. At each reporting period, if applicable, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the years ended December 31, 2017 and 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Money market funds are measured using $1 as the net asset value ("NAV").

Equity securities consist of individual stocks. Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

Concentration of Revenue

Of the revenues received by the Organization for the years ended December 31, 2017 and 2016, approximately 70% and 53%, 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.

Notes to Financial Statements

December 31, 2017

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

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, 2014 through 2017.

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.

Recent Accounting Pronouncements

Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)*: Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 guidance simplifies the current net asset classification requirements from three net asset classifications to two. The amendment also improves the information presented in the financial statements and notes regarding liquidity, financial performance, and cash flows. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2017. Management is currently evaluating the impact of adoption on its financial statements.

Notes to Financial Statements

December 31, 2017

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

Recent Accounting Pronouncements - continued

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenues from Contracts with Customers (Topic 606)* and has modified the standard thereafter. This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU 2014-09 is effective for annual reporting periods in fiscal years that begin after December 15, 2018. Management is currently evaluating the impact of adoption on its financial statements.

Leasing

In February 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2016 – 02, *Leases (Topic 842)*. ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding “right-of-use” assets. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2019. Management is currently evaluating the impact of adoption on its financial statements.

Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update is to provide guidance for not-for-profit entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchanges (reciprocal transactions) and determining whether a contribution is conditional. In general, the update is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. 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, 2017 and 2016, 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, 2017 and 2016, the Organization's uninsured and uncollateralized cash balances totaled $1,911 and $1,318, respectively.

NOTE 3 – PROPERTY AND EQUIPMENT

Significant items of equipment with estimated useful lives of more than one year and with a cost of $2,500 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, 2017

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, 2017 and 2016 consisted of the following:

	2017	2016
Money market funds	**$ 457,241**	$ 455,041
Equities: corporate stock	**42,503**	34,974
	$ 499,744	$ 490,015

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 statements of financial position.

The reported values of assets measured at fair value on a recurring basis are classified as follows at December 31, 2017:

		Fair Value Measurements at Report Date Using		
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Money market funds	**$ 457,241**	**$ 457,241**		
Equities: corporate stock	**42,503**	**42,503**		
	$ 499,744	**$ 499,744**		

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

		Fair Value Measurements at Report Date Using		
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Money market funds	$ 455,041	$ 455,041		
Equities: corporate stock	34,974	34,974		
	$ 490,015	$ 490,015		

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, 2017 and 2016.

NOTE 5 – NET ASSETS

The Organization has received multiple grants with primary purpose restrictions to expend funds on clean energy. Temporarily restricted net assets were $1,382,012 and $1,553,167 at December 31, 2017 and 2016, respectively.

Notes to Financial Statements

December 31, 2017

NOTE 6 – 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. The lease terms were amended to extend until March 31, 2024. The lease calls for monthly rent payments ranging from $1,722 to $1,880 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 was three years. In 2016, the lease terms were amended to extend until 2020. The lease calls for monthly rent payments 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 was five years and four months. The lease called for monthly rent payments 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 and New York City, New York on a month to month basis. Rent expense is $500 and $850 a month, respectively.

During the years ended December 31, 2017 and 2016, the Organization incurred rental costs in relation to these leases amounting to $117,374 and $98,470, respectively.

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

Year Ending December 31,

2018	$ 103,713
2019	104,951
2020	65,729
2021	21,494
2022	21,969
Thereafter	28,084
	$ 345,940

NOTE 7 – 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, 2017 and 2016 amounted to $58,716 and $48,550, respectively.

NOTE 8 – CONDITIONAL PROMISES TO GIVE

In 2016 and 2015, the 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 is recognized within the financial statements until the conditions are met. For the years ended December 31, 2017 and 2016, the conditional commitments totaled $500,000 and $900,000 respectively.

Notes to Financial Statements

December 31, 2017

NOTE 9 – SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including April 1, 2019, 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.