



## **NPower Inc. and Affiliate**

Consolidated Financial Statements and  
Supplementary Information

December 31, 2018 and 2017

# **NPower Inc. and Affiliate**

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December 31, 2018 and 2017

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## Independent Auditors' Report

Board of Directors  
NPower Inc. and Affiliate

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of NPower Inc. and Affiliate (collectively, the "Organization") which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of NPower Canada, a related entity, as disclosed in Note 1, which statements reflect total assets of \$514,375 and \$354,215 as of December 31, 2018 and 2017, respectively, and total revenues, gains and other support of \$1,992,903 and \$1,579,729 for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, in accordance with Canadian Auditing Standards issued by the Canadian Auditing and Assurance Standards Board, and were prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Canadian Accounting Standards Board. We have applied audit procedures on the conversion adjustments to the financial statements of NPower Canada, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for NPower Canada, prior to these conversion adjustments, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of NPower Canada were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of NPower Inc. and Affiliate as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Report on Supplementary and Consolidating Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 18 to 19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Melville, New York  
May 1, 2019

**NPower Inc. and Affiliate**Consolidated Statements of Financial Position  
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,496,476	\$ 1,761,798
Contributions receivable	6,259,215	1,703,494
Accounts receivable, net of allowance for uncollectible accounts of \$5,000 in 2018 and 2017	571,090	515,055
Prepaid expenses	38,204	31,884
	<u>10,364,985</u>	<u>4,012,231</u>
Total current assets	10,364,985	4,012,231
<b>Contributions Receivable, Long-Term, Net</b>	288,310	989,159
<b>Security Deposit</b>	152,798	70,955
<b>Fixed Assets, Net</b>	1,951,115	512,000
	<u>1,951,115</u>	<u>512,000</u>
Total assets	<u>\$ 12,757,208</u>	<u>\$ 5,584,345</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 240,121	\$ 249,343
Accrued vacations payable	168,951	128,032
Accrued salaries, bonuses and related benefits	276,449	250,905
Deferred income	53,500	64,100
	<u>739,021</u>	<u>692,380</u>
Total current liabilities	739,021	692,380
<b>Deferred Rent</b>	52,589	33,571
	<u>52,589</u>	<u>33,571</u>
Total liabilities	<u>791,610</u>	<u>725,951</u>
<b>Net Assets</b>		
Net assets without donor restrictions	1,664,316	(427,061)
Net assets with donor restrictions	10,301,282	5,285,455
	<u>11,965,598</u>	<u>4,858,394</u>
Total net assets	11,965,598	4,858,394
Total liabilities and net assets	<u>\$ 12,757,208</u>	<u>\$ 5,584,345</u>

See notes to consolidated financial statements

**NPower Inc. and Affiliate**Consolidated Statement of Activities and Change in Net Assets  
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 9,933,593	\$ 8,722,798	\$ 18,656,391
In-kind contributions	2,323,421	-	2,323,421
Special events income, net of \$269,538 in direct expenses	1,576,135	-	1,576,135
Program service fees	1,191,443	-	1,191,443
Interest income	5,582	-	5,582
Net assets released from restrictions	3,706,971	(3,706,971)	-
	<u>18,737,145</u>	<u>5,015,827</u>	<u>23,752,972</u>
<b>Expenses</b>			
Program services:			
Training programs	13,151,955	-	13,151,955
Total program services	<u>13,151,955</u>	<u>-</u>	<u>13,151,955</u>
Supporting services:			
Management and general	2,668,245	-	2,668,245
Fundraising	713,977	-	713,977
Total supporting services	<u>3,382,222</u>	<u>-</u>	<u>3,382,222</u>
Total expenses	<u>16,534,177</u>	<u>-</u>	<u>16,534,177</u>
Change in net assets before other items	2,202,968	5,015,827	7,218,795
<b>Other Items</b>			
Foreign currency translation loss	(111,591)	-	(111,591)
Change in net assets	2,091,377	5,015,827	7,107,204
<b>Net Assets, Beginning of Year</b>	<u>(427,061)</u>	<u>5,285,455</u>	<u>4,858,394</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,664,316</u>	<u>\$ 10,301,282</u>	<u>\$ 11,965,598</u>

See notes to consolidated financial statements

**NPower Inc. and Affiliate**Consolidated Statement of Activities and Change in Net Assets  
Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 5,581,184	\$ 5,157,955	\$ 10,739,139
In-kind contributions	1,607,465	-	1,607,465
Special events income, net of \$322,001 in direct expenses	1,306,773	-	1,306,773
Program service fees	1,199,311	-	1,199,311
Interest income	4,350	-	4,350
Net assets released from restrictions	3,987,487	(3,987,487)	-
	<u>13,686,570</u>	<u>1,170,468</u>	<u>14,857,038</u>
Total revenues, gains and other support			
<b>Expenses</b>			
Program services:			
Training programs	12,108,326	-	12,108,326
Total program services	12,108,326	-	12,108,326
Supporting services:			
Management and general	1,757,818	-	1,757,818
Fundraising	806,003	-	806,003
Total supporting services	2,563,821	-	2,563,821
Total expenses	14,672,147	-	14,672,147
Change in net assets before other items	(985,577)	1,170,468	184,891
<b>Other Items</b>			
Foreign currency translation gain	13,453	-	13,453
Change in net assets	(972,124)	1,170,468	198,344
<b>Net Assets, Beginning of Year</b>	545,063	4,114,987	4,660,050
<b>Net Assets, End of Year</b>	<u>\$ (427,061)</u>	<u>\$ 5,285,455</u>	<u>\$ 4,858,394</u>

See notes to consolidated financial statements

**NPower Inc. and Affiliate**

## Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total Expenses</b>
	<b>Training Programs</b>	<b>Management and General</b>	<b>Fundraising</b>	
Salaries	\$ 8,355,417	\$ 1,075,274	\$ 481,317	\$ 9,912,008
Payroll taxes and employee benefits	1,477,829	222,258	110,643	1,810,730
Rent	563,753	78,007	19,414	661,174
Professional fees	1,099,597	933,102	37,095	2,069,794
Stipends	372,372	661	-	373,033
Equipment leases	48,378	3,772	711	52,861
Printing and marketing	51,900	13,886	520	66,306
Office supplies	68,222	11,981	242	80,445
Travel, conferences and food	218,444	58,161	2,771	279,376
Insurance	-	53,187	-	53,187
Postage and delivery	8,178	2,873	251	11,302
Dues and subscriptions	15,278	19,436	2,289	37,003
Information technology	128,280	36,771	13,551	178,602
Depreciation and amortization	244,948	105,365	1,192	351,505
Repairs and maintenance	1,175	707	-	1,882
Licenses	263,162	641	20,342	284,145
Software and hardware, clients	52,260	11,981	20,115	84,356
Facilities related	130,486	1,548	1,001	133,035
Uncollectible accounts	10,008	-	2,500	12,508
Miscellaneous	42,268	38,634	23	80,925
Total expenses	<u>\$ 13,151,955</u>	<u>\$ 2,668,245</u>	<u>\$ 713,977</u>	<u>\$ 16,534,177</u>

*See notes to consolidated financial statements*



**NPower Inc. and Affiliate**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
	<b>Training Programs</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Expenses</b>
Salaries	\$ 7,467,443	\$ 673,894	\$ 550,942	\$ 8,692,279
Payroll taxes and employee benefits	1,405,889	136,191	93,629	1,635,709
Rent	480,497	37,588	28,708	546,793
Professional fees	1,264,727	642,096	73,822	1,980,645
Stipends	365,380	-	-	365,380
Equipment leases	55,542	2,747	1,784	60,073
Printing and marketing	9,885	20,285	180	30,350
Office supplies	70,972	11,455	1,271	83,698
Travel, conferences and food	155,022	30,480	21,183	206,685
Insurance	3,207	52,737	-	55,944
Postage and delivery	10,632	1,207	442	12,281
Dues and subscriptions	7,764	11,137	35	18,936
Information technology	137,428	30,528	20,228	188,184
Depreciation and amortization	92,088	42,980	2,961	138,029
Repairs and maintenance	4,169	59	-	4,228
Licenses	367,554	4,155	2,038	373,747
Software and hardware, clients	73,053	15,946	8,613	97,612
Facilities related	74,185	3,473	-	77,658
Miscellaneous	62,889	40,860	167	103,916
Total expenses	<u>\$ 12,108,326</u>	<u>\$ 1,757,818</u>	<u>\$ 806,003</u>	<u>\$ 14,672,147</u>

*See notes to consolidated financial statements*

## NPower Inc. and Affiliate

Consolidated Statements of Cash Flows  
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 7,107,204	\$ 198,344
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Deferred rent	19,018	15,925
Depreciation and amortization	351,505	138,029
Change in discount	(21,651)	34,341
Donation of fixed assets	(1,274,916)	(227,380)
Decrease (increase) in assets:		
Contributions receivable	(3,833,221)	(1,907,307)
Accounts receivable	(56,035)	(127,401)
Prepaid expenses	(6,320)	(8,370)
Security deposits	(81,843)	(27,783)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(9,222)	63,832
Accrued vacations payable	40,919	30,577
Accrued salaries, bonuses and related benefits	25,544	(39,107)
Deferred income	(10,600)	29,100
Net cash flows from operating activities	<u>2,250,382</u>	<u>(1,827,200)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	<u>(515,704)</u>	<u>(189,481)</u>
Net cash flows from investing activities	<u>(515,704)</u>	<u>(189,481)</u>
Net change in cash and cash equivalents	1,734,678	(2,016,681)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,761,798</u>	<u>3,778,479</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,496,476</u>	<u>\$ 1,761,798</u>

### Noncash Transactions

For the years ended December 31, 2018 and 2017, the Organization received \$1,274,916 and \$227,380 of fixed assets, respectively, from donors included within in-kind contributions on the consolidated statements of activities and change in net assets.

# NPower Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

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## 1. Description of Organization

### Nature of Operations

The accompanying consolidated financial statements include the accounts of the following entities (collectively referred to as the "Organization"):

*NPower Inc. ("NPower")* is a national nonprofit that creates pathways to economic prosperity by launching digital careers for military veterans and young adults from underserved communities. NPower was incorporated on November 15, 2000 in the State of New York.

*NPower Canada ("NC")* was incorporated in Canada on January 13, 2014. NC is a charitable organization that launches underserved young adults into meaningful and sustainable digital careers.

NPower is the sole member of NC. NPower received \$25,000 from NC in 2018 for use of the NPower, Technology Service Corps and the Community Corps trademarks. The transaction was eliminated in consolidation.

NPower's services are delivered through the following programs:

*Tech Fundamentals* is a 23-week classroom and internship training program for young adults between the ages of 18 and 25 and military veterans that results in career enhancing opportunities including jobs, technical certification and qualification for higher education. In 2018, the program operated in New York (Brooklyn and Harlem), New Jersey (Jersey City), Texas (Dallas), Maryland (Baltimore), Missouri (St. Louis) and California (San Jose) and provided the industry-recognized CompTIA A+ certification.

*Advanced Certifications* are accelerated training programs for more advanced IT coursework including *Cybersecurity*, *Coding and Network Security and Administration*. Each program path offers free hands-on training and in-demand certifications designed to prepare program alumni for higher wage IT jobs.

*Cybersecurity* is a 26-week classroom and internship training program that provides all the tools needed for participants to launch a career in the field of cybersecurity. In 2018, the program operated in New York (Brooklyn) and Texas (Dallas) and provided the industry-recognized Cyber Security Analyst + and Linux + certifications.

*Coding* is a 12-week classroom training program that provides the opportunity to learn in-demand languages including HTML, CSS, Javascript, SQL and Linux. In 2018, the program operated in Texas (Dallas).

*Network Security and Administration* is a 23-week classroom training program that provides the opportunity to earn in-demand certifications CompTIA Security+ and Network+. In 2018, the program operated in California (Alameda).

Approximately 1,000 young adults and military veterans were accepted into the programs in 2018 and over 2,600 graduates participate in the alumni network.

## **NPower Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

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### **2. Summary of Significant Accounting Policies**

#### **Basis of Accounting and Principles of Consolidation**

The consolidated financial statements of NPower Inc. and Affiliate have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

All material intercompany transactions and balances have been eliminated in the consolidation.

The net assets of the Organization are classified and reported as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of the Organization.

*Net assets with donor restrictions* - Net assets that are subject to donor-imposed stipulations that will be met either by the actions of the Organization and/or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying consolidated statements of activities and change in net assets as net assets released from restrictions. Net assets with donor restrictions also includes net assets that are required to be held in perpetuity. At December 31, 2018 and 2017, there were no net assets required to be held in perpetuity.

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity of 90 days or less on the date of purchase to be cash equivalents. Cash equivalents are carried at fair value which approximates cost.

#### **Contributions Receivable**

Contributions receivable, which consist of unconditional promises to give, are recognized as revenue in the year the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not recorded until they are confirmed to be receivable by the donor.

#### **Accounts Receivable**

Receivables are recorded for services rendered but unpaid, and are included in accounts receivable.

#### **Allowance for Doubtful Accounts**

The Organization determines whether an allowance for uncollectible accounts should be provided for contributions and accounts receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent collections and historical information. Contributions receivable are recorded as bad debt when all reasonable collection efforts have been exhausted. Accounts receivable are written off against the allowance for doubtful accounts when they are for a previous year's receivable and against the bad debts when they are within the current year, and when all reasonable collection efforts have been exhausted. The Organization does not charge interest on outstanding receivables.

## **NPower Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

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### **Fixed Assets**

Fixed assets are stated at cost. The Organization capitalizes all property and equipment having a cost in excess of \$2,500 with a useful life of greater than one year. Depreciation is computed on the straight-line method over the useful lives of the assets. Amortization of leasehold improvements is computed on the straight-line method over the lesser of the term of the lease or their estimated useful lives.

### **Deferred Income**

The Organization receives fees in advance of providing certain services, generally pursuant to contractual agreements. Deferred income represents amounts received as of fiscal year-end for services to be provided subsequent thereto.

### **Deferred Rent**

For accounting purposes, the total rent payable over the life of the lease, which escalates over time, is recognized on the straight-line basis. Actual rent payments differ from these reported amounts; actual rent paid is more than reported amounts in the early years of the lease and is less than the reported amounts in the later years. Deferred rent reflects the difference between the straight-line calculation reported and actual rent paid.

### **Revenue Recognition**

Program service fees are recognized when earned. Clients are charged fees based on a contractual agreement.

### **Contributions**

Contributions are reported at fair value on the date they are received as unconditional promises to give. The gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions. Donor restricted contributions received and expended in the same year are reflected as contributions without donor restrictions.

### **Donated Property and Equipment**

Donations of property and equipment are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

## **NPower Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

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### **Donated Services**

Contributions of services are recognized by the Organization as both revenue and expense in the accompanying consolidated statements of activities and change in net assets, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

### **Donated Use of Facilities**

NPower received the free use of facilities for the years ended December 31, 2018 and 2017, the fair rental value of which was recorded as contribution income and as rent expense in the accompanying consolidated financial statements.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salary and related benefits based upon estimated time and effort. In addition, certain shared costs are allocated based on estimated usage by department based upon employee headcount.

### **Use of Estimates**

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Foreign Currency Translation**

The assets and liabilities of NC, which are stated in Canadian dollars, are translated to U.S. dollars (USD) using the exchange rate in effect at the date of the consolidated statements of financial position. Revenues, expenses, gains and losses are translated using the average exchange rate for the year. Gains or losses on foreign currency translation are recognized in the accompanying consolidated financial statements.

### **Tax Status**

NPower qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, and qualifies as a not-for-profit organization under the laws of New York State. Accordingly, no provision for federal or state income taxes is required. NC is tax-exempt under Canadian tax laws.

### **Accounting for Uncertainty in Income Taxes**

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax provisions that require adjustment to the consolidated financial statements to comply with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 740, *Accounting for Uncertainty in Income Taxes*.

## **NPower Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

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### **Recently Issued Accounting Pronouncements**

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted ASU 2016-14, and has applied the changes retrospectively to all periods presented except for the disclosures around liquidity and availability of resources. These disclosures have been presented for 2018 only, as allowed by ASU 2016-14. The new standard changes the following aspects of the consolidated financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions
- The temporarily restricted net asset class has been renamed Net Assets with Donor Restrictions
- The basis for allocation of expenses to functional classifications has been disclosed (Note 2)
- The consolidated financial statements include a disclosure about liquidity and availability of resources (Note 11)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for the Organization for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2014-09 on the Organization's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the consolidated statements of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Organization for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2016-02 on the Organization's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2018-08 on the Organization's consolidated financial statements.

### **Evaluation of Subsequent Events**

Management has evaluated subsequent events through May 1, 2019, the date the consolidated financial statements are available for issuance, for inclusion or disclosure in the consolidated financial statements.

## NPower Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

### 3. Contributions Receivable

Contributions receivable as of December 31, 2018 and 2017 consists of unconditional promises to give as follows:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 6,259,215	\$ 1,703,494
One to five years	301,000	1,023,500
Total contributions	6,560,215	2,726,994
Discount on contributions receivable	(12,690)	(34,341)
Total	<u>\$ 6,547,525</u>	<u>\$ 2,692,653</u>

The discount rate used to calculate the net present value of the contributions at December 31, 2018 was 2.6 percent. The discount rate used to calculate the net present value of the contributions at December 31, 2017 ranged from approximately 2.1 percent to 2.3 percent. As of December 31, 2018 and 2017, no allowance for uncollectible contributions was deemed necessary.

### 4. Fixed Assets, Net

Fixed assets, net, consists of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 167,754	\$ 129,954
Furnishings and equipment	2,315,042	562,222
	2,482,796	692,176
Less accumulated depreciation and amortization	(531,681)	(180,176)
Total fixed assets	<u>\$ 1,951,115</u>	<u>\$ 512,000</u>

### 5. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Time restricted	\$ 616,000	\$ 970,500
Time and purpose restricted, Training Programs	9,412,530	4,234,773
Time and purpose restricted, Training Programs - NC	272,752	80,182
Total	<u>\$ 10,301,282</u>	<u>\$ 5,285,455</u>



## NPower Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or release of time restrictions, as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Time restrictions	\$ 554,500	\$ 1,142,733
Training Programs	3,072,289	2,844,754
Training Programs - NC	80,182	-
Total	<u>\$ 3,706,971</u>	<u>\$ 3,987,487</u>

### 6. Foreign Currency Translation Adjustments

Foreign currency translation adjustments associated with consolidating the accounts of NPower's affiliate, NPower Canada, are reported in the consolidated statements of activities and change in net assets. The amount of accumulated translation adjustments is included in net assets without donor restrictions in the consolidated statements of financial position.

The accumulated foreign currency translation adjustments for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ (12,452)	\$ (25,905)
Foreign currency translation (loss) gain	(111,591)	13,453
Balance, end of year	<u>\$ (124,043)</u>	<u>\$ (12,452)</u>

### 7. Commitments

The Organization is obligated under various non-cancellable operating leases for certain of its facilities, expiring through March 2029. Future minimum lease payments under these operating leases at December 31, 2018 are as follows:

Years ending December 31:	
2019	\$ 601,325
2020	585,408
2021	582,528
2022	539,767
2023	520,355
Thereafter	2,494,329
Total	<u>\$ 5,323,712</u>

Rent expense for the years ended December 31, 2018 and 2017 totaled \$661,174 and \$546,793, respectively.

The Organization has various equipment leases which expire on various dates through October 2021. Equipment rental expense for 2018 and 2017 was \$52,861 and \$60,073, respectively. All equipment leases are non-cancellable.

## NPower Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

Future minimum lease payments under these equipment leases at December 31, 2018 are as follows:

Years ending December 31:		
2019	\$	42,920
2020		40,962
2021		12,994
		<hr/>
Total	\$	96,876
		<hr/>

### 8. Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and receivables. From time to time, the cash balances exceed the Federal Deposit Insurance Corporation coverage limit. Management believes that credit risk related to cash and cash equivalents is minimal, as the Organization places its cash with high credit quality financial institutions.

As of December 31, 2018, approximately 66 percent of total contributions receivable was due from two separate donors, with each representing greater than 10 percent of total contributions receivable. As of December 31, 2017, approximately 49 percent of total contributions receivable was due from two separate donors, with each representing greater than 10 percent of total contributions receivable.

For the year ended December 31, 2018, approximately 35 percent of total revenues was from one donor.

### 9. Retirement Plan

NPower has a defined contribution annuity retirement plan which covers substantially all eligible employees, as defined. The discretionary pension contribution expense for the years ended December 31, 2018 and 2017 was \$14,871 and \$15,750, respectively.

Employees of NC may participate in a group registered retirement savings plan ("RRSP"). There are no employer contributions to the RRSP.

### 10. In-Kind Contributions

For the years ended December 31, 2018 and 2017, NPower received the following noncash donations:

	<u>2018</u>	<u>2017</u>
Architectural services	\$ 51,583	\$ 5,125
Clothing	15,000	32,800
Consulting	1,646,080	890,405
Equipment	291,398	233,566
Graduation catering and supplies	66,770	25,224
Legal services	80,825	140,000
Office space	91,000	70,000
Student certification testing	40,000	148,200
Video conferencing	7,566	-
Workshops and research	33,199	62,145
	<hr/>	<hr/>
Total in-kind contributions	\$ 2,323,421	\$ 1,607,465
	<hr/>	<hr/>

## NPower Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2018 and 2017

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### 11. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets available for general expenditure within one year at December 31, 2018. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Cash and cash equivalents	\$ 3,496,476
Contributions receivable, current portion	6,259,215
Accounts receivable, net	<u>571,090</u>
Total financial assets	10,326,781
Less donor restricted amounts	<u>(10,012,972)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 313,809</u>

The Organization is substantially supported by restricted contributions. Because donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As part of the Organization's liquidity management, its practice is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NPower Inc. and Affiliate**Consolidating Statement of Financial Position  
December 31, 2018

	<u>NPower</u>	<u>NC</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 3,131,758	\$ 364,718	\$ -	\$ 3,496,476
Contributions receivable	6,118,704	140,511	-	6,259,215
Accounts receivable, net	564,915	6,175	-	571,090
Prepaid expenses	35,233	2,971	-	38,204
Total current assets	9,850,610	514,375	-	10,364,985
<b>Contributions Receivable, Long-Term, Net</b>	288,310	-	-	288,310
<b>Security Deposit</b>	152,798	-	-	152,798
<b>Fixed Assets, Net</b>	1,951,115	-	-	1,951,115
<b>Interest in Net Assets of Affiliate</b>	454,526	-	(454,526)	-
Total assets	<u>\$ 12,697,359</u>	<u>\$ 514,375</u>	<u>\$ (454,526)</u>	<u>\$ 12,757,208</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 180,272	\$ 59,849	\$ -	\$ 240,121
Accrued vacations payable	168,951	-	-	168,951
Accrued salaries, bonuses and related benefits	276,449	-	-	276,449
Deferred income	53,500	-	-	53,500
Total current liabilities	679,172	59,849	-	739,021
<b>Deferred Rent</b>	52,589	-	-	52,589
Total liabilities	731,761	59,849	-	791,610
<b>Net Assets</b>				
Net assets without donor restrictions	1,664,316	181,774	(181,774)	1,664,316
Net assets with donor restrictions	10,301,282	272,752	(272,752)	10,301,282
Total net assets	11,965,598	454,526	(454,526)	11,965,598
Total liabilities and net assets	<u>\$ 12,697,359</u>	<u>\$ 514,375</u>	<u>\$ (454,526)</u>	<u>\$ 12,757,208</u>

**NPower Inc. and Affiliate**

 Consolidating Statement of Activities and Change in Net Assets  
 Year Ended December 31, 2018

	NPower			NC			Total Before Eliminations	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
<b>Revenue, Gains and Other Support</b>									
Contributions	\$ 8,213,442	\$ 8,450,046	\$ 16,663,488	\$ 1,720,151	\$ 272,752	\$ 1,992,903	\$ 18,656,391	\$ -	\$ 18,656,391
In-kind contributions	2,323,421	-	2,323,421	-	-	-	2,323,421	-	2,323,421
Special events, net	1,576,135	-	1,576,135	-	-	-	1,576,135	-	1,576,135
Program service fees	1,216,443	-	1,216,443	-	-	-	1,216,443	(25,000)	1,191,443
Interest income	5,582	-	5,582	-	-	-	5,582	-	5,582
Earnings of affiliate	(16,227)	192,570	176,343	-	-	-	176,343	(176,343)	-
Net assets released from restrictions	3,626,789	(3,626,789)	-	80,182	(80,182)	-	-	-	-
<b>Total revenue, gains and other support</b>	<b>16,945,585</b>	<b>5,015,827</b>	<b>21,961,412</b>	<b>1,800,333</b>	<b>192,570</b>	<b>1,992,903</b>	<b>23,954,315</b>	<b>(201,343)</b>	<b>23,752,972</b>
<b>Expenses</b>									
Program services:									
Training programs	12,020,190	-	12,020,190	1,131,765	-	1,131,765	13,151,955	-	13,151,955
<b>Total program services</b>	<b>12,020,190</b>	<b>-</b>	<b>12,020,190</b>	<b>1,131,765</b>	<b>-</b>	<b>1,131,765</b>	<b>13,151,955</b>	<b>-</b>	<b>13,151,955</b>
Supporting services:									
Management and general	2,227,841	-	2,227,841	465,404	-	465,404	2,693,245	(25,000)	2,668,245
Fundraising	606,177	-	606,177	107,800	-	107,800	713,977	-	713,977
<b>Total supporting services</b>	<b>2,834,018</b>	<b>-</b>	<b>2,834,018</b>	<b>573,204</b>	<b>-</b>	<b>573,204</b>	<b>3,407,222</b>	<b>(25,000)</b>	<b>3,382,222</b>
<b>Total expenses</b>	<b>14,854,208</b>	<b>-</b>	<b>14,854,208</b>	<b>1,704,969</b>	<b>-</b>	<b>1,704,969</b>	<b>16,559,177</b>	<b>(25,000)</b>	<b>16,534,177</b>
<b>Change in net assets before other items</b>	<b>2,091,377</b>	<b>5,015,827</b>	<b>7,107,204</b>	<b>95,364</b>	<b>192,570</b>	<b>287,934</b>	<b>7,395,138</b>	<b>(176,343)</b>	<b>7,218,795</b>
<b>Other Items</b>									
Foreign currency translation loss	-	-	-	(111,591)	-	(111,591)	(111,591)	-	(111,591)
<b>Change in net assets</b>	<b>2,091,377</b>	<b>5,015,827</b>	<b>7,107,204</b>	<b>(16,227)</b>	<b>192,570</b>	<b>176,343</b>	<b>7,283,547</b>	<b>(176,343)</b>	<b>7,107,204</b>
<b>Net Assets, Beginning of Year</b>	<b>(427,061)</b>	<b>5,285,455</b>	<b>4,858,394</b>	<b>198,001</b>	<b>80,182</b>	<b>278,183</b>	<b>5,136,577</b>	<b>(278,183)</b>	<b>4,858,394</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,664,316</b>	<b>\$ 10,301,282</b>	<b>\$ 11,965,598</b>	<b>\$ 181,774</b>	<b>\$ 272,752</b>	<b>\$ 454,526</b>	<b>\$ 12,420,124</b>	<b>\$ (454,526)</b>	<b>\$ 11,965,598</b>

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed In Accordance  
with *Government Auditing Standards***

Board of Directors  
NPower Inc. and Affiliate

**Report on the Consolidated Financial Statements**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of NPower Inc. and Affiliate (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 1, 2019. The financial statements of NPower Canada were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with NPower Canada.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly Virchow Krause, LLP*

Melville, New York  
May 1, 2019