

NPower Inc. and Affiliate

Consolidated Financial Statements
and Supplementary Information

December 31, 2021 and 2020

NPower Inc. and Affiliate

Table of Contents
December 31, 2021 and 2020

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Change in Net Assets	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
Supplementary Information	
Consolidating Statement of Financial Position	19
Consolidating Statement of Activities and Change in Net Assets	20

Independent Auditors' Report

To the Board of Directors of
NPower Inc. and Affiliate

Opinion

We have audited the consolidated financial statements of NPower Inc. and Affiliate (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2021 and 2020, 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 (GAAP).

We did not audit the financial statements of NPower Canada, a related entity, as disclosed in Note 1, which statements reflect total assets of \$3,835,775 and \$3,758,630 as of December 31, 2021 and 2020, respectively, and total revenues, gains and other support of \$10,093,344 and \$5,082,234 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 as 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 GAAP. 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 other auditors, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary 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 19 to 20 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 it 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 consolidating 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Uniondale, New York
May 11, 2022

NPower Inc. and AffiliateConsolidated Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,771,193	\$ 5,814,306
Contributions receivable	5,970,034	5,755,082
Accounts receivable	251,313	227,774
Prepaid expenses	309,132	475,865
Total current assets	14,301,672	12,273,027
Contributions Receivable, Long-Term, Net	1,041,453	1,198,038
Security Deposits	152,647	155,547
Fixed Assets, Net	1,882,539	2,284,406
Total assets	<u>\$ 17,378,311</u>	<u>\$ 15,911,018</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 977,841	\$ 517,832
Accrued vacations payable	244,861	251,662
Accrued salaries, bonuses and related benefits	94,464	110,316
Deferred income	377,331	587,586
Total current liabilities	1,694,497	1,467,396
Deferred Rent	225,453	191,589
Total liabilities	1,919,950	1,658,985
Net Assets		
Net assets without donor restrictions	3,599,375	1,625,148
Net assets with donor restrictions	11,858,986	12,626,885
Total net assets	15,458,361	14,252,033
Total liabilities and net assets	<u>\$ 17,378,311</u>	<u>\$ 15,911,018</u>

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statement of Activities and Change in Net Assets

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 20,480,535	\$ 9,066,116	\$ 29,546,651
In-kind contributions	663,508	-	663,508
Special events income, net of \$130,079 in direct expenses	1,309,311	-	1,309,311
Program service fees	1,076,802	-	1,076,802
Interest income	3	-	3
Net assets released from restrictions	<u>9,834,015</u>	<u>(9,834,015)</u>	<u>-</u>
Total revenues, gains and other support	<u>33,364,174</u>	<u>(767,899)</u>	<u>32,596,275</u>
Expenses			
Program services:			
Training programs	<u>24,643,252</u>	<u>-</u>	<u>24,643,252</u>
Total program services	<u>24,643,252</u>	<u>-</u>	<u>24,643,252</u>
Supporting services:			
Management and general	4,705,396	-	4,705,396
Fundraising	<u>2,056,860</u>	<u>-</u>	<u>2,056,860</u>
Total supporting services	<u>6,762,256</u>	<u>-</u>	<u>6,762,256</u>
Total expenses	<u>31,405,508</u>	<u>-</u>	<u>31,405,508</u>
Change in net assets before other item	1,958,666	(767,899)	1,190,767
Other Item			
Foreign currency translation gain	<u>15,561</u>	<u>-</u>	<u>15,561</u>
Change in net assets	1,974,227	(767,899)	1,206,328
Net Assets, Beginning	<u>1,625,148</u>	<u>12,626,885</u>	<u>14,252,033</u>
Net Assets, Ending	<u>\$ 3,599,375</u>	<u>\$ 11,858,986</u>	<u>\$ 15,458,361</u>

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statement of Activities and Change in Net Assets

Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 16,891,607	\$ 10,736,029	\$ 27,627,636
In-kind contributions	2,206,011	-	2,206,011
Special events income, net of \$325,717 in direct expenses	1,566,247	-	1,566,247
Program service fees	1,003,208	-	1,003,208
Interest income	3	-	3
Net assets released from restrictions	6,300,567	(6,300,567)	-
	<u>27,967,643</u>	<u>4,435,462</u>	<u>32,403,105</u>
Total revenues, gains and other support			
	<u>27,967,643</u>	<u>4,435,462</u>	<u>32,403,105</u>
Expenses			
Program services:			
Training programs	19,231,762	-	19,231,762
Total program services	19,231,762	-	19,231,762
Supporting services:			
Management and general	4,272,653	-	4,272,653
Fundraising	1,712,224	-	1,712,224
Total supporting services	5,984,877	-	5,984,877
Total expenses	25,216,639	-	25,216,639
Change in net assets before other item	2,751,004	4,435,462	7,186,466
Other Item			
Foreign currency translation loss	(273,587)	-	(273,587)
Change in net assets	2,477,417	4,435,462	6,912,879
Net Assets, Beginning	<u>(852,269)</u>	<u>8,191,423</u>	<u>7,339,154</u>
Net Assets, Ending	<u>\$ 1,625,148</u>	<u>\$ 12,626,885</u>	<u>\$ 14,252,033</u>

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services	Supporting Services		Total Expenses
	Training Programs	Management and General	Fundraising	
Salaries	\$ 14,870,093	\$ 1,732,089	\$ 1,491,069	\$ 18,093,251
Payroll taxes and employee benefits	2,811,321	253,446	305,250	3,370,017
Rent	1,009,269	254,263	88,101	1,351,633
Professional fees	832,121	1,245,088	115,161	2,192,370
Subcontractors	339,065	-	-	339,065
Stipends	162,378	-	-	162,378
Equipment leases	62,812	3,678	2,758	69,248
Printing and marketing	378,807	275,014	-	653,821
Office supplies	25,681	31,948	1,472	59,101
Travel, conferences and food	113,280	40,758	19,759	173,797
Insurance	3,447	54,821	-	58,268
Postage and delivery	10,166	2,906	309	13,381
Dues and subscriptions	43,046	22,820	4,016	69,882
Information technology	1,956,298	190,817	5,854	2,152,969
Depreciation and amortization	508,734	375,291	1,937	885,962
Licenses	1,280,713	62	-	1,280,775
Software and hardware, clients	58,447	118,739	5,818	183,004
Facilities related	106,445	22,651	14,231	143,327
Miscellaneous	71,129	81,005	1,125	153,259
Total expenses	<u>\$ 24,643,252</u>	<u>\$ 4,705,396</u>	<u>\$ 2,056,860</u>	<u>\$ 31,405,508</u>

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services	Supporting Services		Total Expenses
	Training Programs	Management and General	Fundraising	
Salaries	\$ 11,340,681	\$ 1,703,907	\$ 1,170,490	\$ 14,215,078
Payroll taxes and employee benefits	2,172,437	224,919	222,742	2,620,098
Rent	831,778	392,572	56,289	1,280,639
Professional fees	1,977,067	1,138,455	166,472	3,281,994
Stipends	267,403	-	-	267,403
Equipment leases	73,155	8,222	1,767	83,144
Printing and marketing	136,324	67,582	-	203,906
Office supplies	30,364	15,583	1,406	47,353
Travel, conferences and food	130,688	40,136	8,530	179,354
Insurance	242	42,781	2,578	45,601
Postage and delivery	4,527	2,845	-	7,372
Dues and subscriptions	16,231	13,232	719	30,182
Information technology	632,924	207,036	18,630	858,590
Depreciation and amortization	699,911	193,517	14,502	907,930
Licenses	482,299	1,769	-	484,068
Software and hardware, clients	243,890	136,903	39,074	419,867
Facilities related	66,963	15,821	2,774	85,558
Uncollectible accounts	60,105	-	50	60,155
Miscellaneous	64,773	67,373	6,201	138,347
Total expenses	<u>\$ 19,231,762</u>	<u>\$ 4,272,653</u>	<u>\$ 1,712,224</u>	<u>\$ 25,216,639</u>

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,206,328	\$ 6,912,879
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Deferred rent	33,864	34,017
Depreciation and amortization	885,962	907,930
Change in discount	13,650	(2,852)
Donation of fixed assets	(73,762)	(182,000)
(Increase) decrease in assets:		
Contributions receivable	(72,017)	(4,690,197)
Accounts receivable	(23,539)	244,232
Prepaid expenses	166,733	(307,154)
Security deposits	2,900	(4,609)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	460,009	12,762
Accrued vacations payable	(6,801)	62,119
Accrued salaries, bonuses and related benefits	(15,852)	(365,839)
Deferred income	(210,255)	370,363
Net cash flows from operating activities	<u>2,367,220</u>	<u>2,991,651</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	<u>(410,333)</u>	<u>(446,222)</u>
Net cash flows from investing activities	<u>(410,333)</u>	<u>(446,222)</u>
Net change in cash and cash equivalents	1,956,887	2,545,429
Cash and Cash Equivalents, Beginning	<u>5,814,306</u>	<u>3,268,877</u>
Cash and Cash Equivalents, Ending	<u>\$ 7,771,193</u>	<u>\$ 5,814,306</u>

Noncash Transactions

For the years ended December 31, 2021 and 2020, the Organization received \$73,762 and \$182,000 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, 2021 and 2020

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 2021 for use of the NPower trademark. The transaction was eliminated in consolidation.

NPower's services are delivered through the following programs:

Tech Fundamentals is a 23-week virtual classroom and internship training program for young adults between the ages of 18 and 25 and military veterans and their spouses that results in career enhancing opportunities including jobs, technical certification and qualification for higher education. In 2021, the program operated in New York (Brooklyn and Harlem), New Jersey (Jersey City and Newark), Texas (Dallas), Maryland (Baltimore), Missouri (St. Louis), California (San Jose) and Michigan (Detroit) and provided the industry-recognized certifications: CompTIA A+ and IT Fundamentals+, a Google IT Support Certificate, and an IT Generalist Apprenticeship credential. In addition, trainees received exposure to Microsoft, Cisco, AWS and other leading technologies; mentoring from senior level IT professionals; employment readiness workshops; job placement assistance with access to a wide range of top employers; and a full range of ongoing social service and personal development support.

Information Technology Support Specialist is an 18-week virtual classroom and internship training program designed to provide participants with the basics of IT networking, troubleshooting, and infrastructure. In 2021, the program operated in California (Los Angeles) and provided an opportunity to earn industry-recognized certifications: CompTIA A+ and IT Fundamentals+, Microsoft Certified 365 & Azure Fundamentals and a Google IT Support Certificate. In addition, trainees have an opportunity for a paid internship and apprenticeships, direct placement; exposure to Microsoft, Google and other leading technologies; mentoring from senior level IT professionals; employment readiness workshops; job placement assistance with access to a wide range of top employers; and a full range of ongoing social service and personal development support.

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

Cybersecurity is an 18-week virtual classroom instruction program followed by a 12-week paid internship. The program provides all the tools needed for participants to launch a career in the field of cybersecurity. In 2021, the program operated on a national basis and provided the industry-recognized CompTIA Security+ certification; mentoring from senior level cybersecurity professionals and program alumni; career development workshops; job placement assistance with access to a wide range of top employers; opportunity to earn Cybersecurity Support Technician apprenticeship credentials (in TX and NJ); a range of social service and personal development support; and access to an elite, supportive alumni network.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Cloud Computing is a 12-week virtual training program designed for working tech professionals that provides the opportunity to earn industry-recognized, in-demand certifications including AWS Cloud Practitioner and AWS Solutions Architect-Associate. In 2021, the program operated on a national basis and included 14 hours of weekly online lectures and labs; three times a week online instruction; bi-weekly professional mentoring; and the opportunity for promotion or merit based salary increase.

Approximately 1,175 young adults, military veterans and their spouses were accepted into the programs in 2021 and over 5,625 graduates participate in the alumni network.

NC creates pathways to economic prosperity for Canada's underserved youth and adults by launching them into meaningful and sustainable digital careers.

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. As of December 31, 2021 and 2020, 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.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Allowance for Doubtful Accounts

The Organization determines whether an allowance for uncollectible accounts should be provided. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent collections and historical information.

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.

Work in progress reflects significant projects that have not yet been completed and crossover fiscal years. Costs for these projects will continue to be aggregated until they are completed, at which time depreciation will begin.

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 income also includes advances on conditional grants in which the conditions have not yet been met.

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 From Contracts With Customers

Program service fees result from trainee internships under reciprocal contracts with customers and are recognized ratably over the period of service, generally monthly, at the net realizable transaction price per the contract as performance obligations are met. Subsequent adjustments to net realizable amounts are recorded as reductions to revenue in the period they occur.

Contributions and Grants

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 their use. 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. Conditional promises to give (contributions with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

A portion of the Organization's revenue is derived from cost-reimbursable federal, state and local grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. The Organization received cost-reimbursable grants of \$2,246,189 that have not been recognized as of December 31, 2021 because qualifying expenditures have not yet been incurred.

Special Events Revenue

The reciprocal portion of special events revenue, equal to the fair value of direct benefit to donors, is recorded when the event takes place. The nonreciprocal portion is recorded as a contribution when the event takes place.

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.

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 free use of facilities for the years ended December 31, 2021 and 2020, 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 presented on a functional basis in the consolidated statements of activities and change in net assets and functional expenses. 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.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

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*.

Reclassifications

Certain 2020 amounts on the statement of functional expenses have been reclassified to conform with the 2021 presentation.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (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, 2021. Management is currently evaluating the impact of ASU 2016-02 on the Organization's consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of donated nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The amendments in this ASU should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Management is currently evaluating the impact of ASU 2020-07 on the Organization's consolidated financial statements.

Evaluation of Subsequent Events

Management has evaluated subsequent events through May 11, 2022, the date the consolidated financial statements are available for issuance, for inclusion or disclosure in the consolidated financial statements.

In March, 2022, the Organization received a \$15 million gift without donor restrictions from an individual donor.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

3. Contributions Receivable

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

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 5,970,034	\$ 5,755,082
One to five years	<u>1,056,533</u>	<u>1,199,468</u>
Total contributions	7,026,567	6,954,550
Discount on contributions receivable	<u>(15,080)</u>	<u>(1,430)</u>
Total	<u>\$ 7,011,487</u>	<u>\$ 6,953,120</u>

The discount rate used to calculate the net present value of the contributions ranged from approximately 0.14 percent to 1.21 percent.

4. Fixed Assets, Net

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

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 460,583	\$ 502,359
Furnishings and equipment	<u>3,977,192</u>	<u>3,450,642</u>
Fixed assets subtotal	4,437,775	3,953,001
Accumulated depreciation and amortization	<u>(3,136,053)</u>	<u>(2,249,412)</u>
Fixed assets before work in progress, net	1,301,722	1,703,589
Work in progress	<u>580,817</u>	<u>580,817</u>
Fixed assets, net	<u>\$ 1,882,539</u>	<u>\$ 2,284,406</u>

5. Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 9,500	\$ 97,500
Time and purpose restricted, Training Programs	8,899,602	9,856,463
Time and purpose restricted, Training Programs - NC	<u>2,949,884</u>	<u>2,672,922</u>
Total	<u>\$ 11,858,986</u>	<u>\$ 12,626,885</u>

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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:

	<u>2021</u>	<u>2020</u>
Time restrictions	\$ 88,000	\$ 351,500
Training Programs	8,214,256	5,648,373
Training Programs - NC	<u>1,531,759</u>	<u>300,694</u>
Total	<u>\$ 9,834,015</u>	<u>\$ 6,300,567</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, are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ (637,591)	\$ (364,004)
Foreign currency translation gain (loss)	<u>15,561</u>	<u>(273,587)</u>
Balance, end of year	<u>\$ (622,030)</u>	<u>\$ (637,591)</u>

7. Commitments

The Organization is obligated under various noncancellable operating leases for certain of its facilities, expiring through March 2030. Future minimum lease payments under these operating leases as of December 31, 2021 are as follows:

Years ending December 31:	
2022	\$ 1,390,964
2023	1,287,011
2024	1,252,868
2025	1,134,161
2026	1,008,993
Thereafter	<u>2,245,599</u>
Total	<u>\$ 8,319,596</u>

Rent expense for the years ended December 31, 2021 and 2020 totaled \$1,351,633 and \$1,280,639, respectively.

NPower has various equipment leases which expire on various dates through June 2026. Equipment rental expense for 2021 and 2020 was \$69,248 and \$83,144, respectively. All equipment leases are noncancellable.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Future minimum lease payments under these equipment leases as of December 31, 2021 are as follows:

Years ending December 31:		
2022	\$	49,474
2023		49,262
2024		40,082
2025		8,807
2026		3,000
		<hr/>
Total	\$	<u>150,625</u>

8. Line of Credit

NC has a \$200,000 CAD (\$158,020 USD based on exchange rate of \$0.7901 as of December 31, 2021) line of credit from the Royal Bank of Canada with interest payable monthly at rate of Canadian prime (2.45 percent as of December 31, 2021) plus 0.83 percent. The line of credit is available in increments of \$5,000 (\$3,951 USD based on exchange rate of \$0.7901 as of December 31, 2021) CAD and is secured by a first ranking security interest in all property. The line was not drawn in 2021 or 2020.

9. 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, 2021, approximately 41 percent of total contributions receivable was due from three separate donors, with each representing greater than 10 percent of total contributions receivable. As of December 31, 2020, approximately 58 percent of total contributions receivable was due from three separate donors, with each representing greater than 10 percent of total contributions receivable.

For the year ended December 31, 2020, approximately 12 percent of total revenues was from one donor.

10. 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, 2021 and 2020 was \$25,290 and \$23,140, respectively.

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

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

11. In-Kind Contributions

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

	<u>2021</u>	<u>2020</u>
Clothing	\$ -	\$ 245
Consulting	116,955	1,924,807
Equipment	92,359	30,950
Graduation catering and supplies	-	1,274
Legal services	-	84,192
Office space	-	100,100
Student certification testing	454,194	-
Video conferencing	-	39,093
Workshops and research	-	25,350
	<u>\$ 663,508</u>	<u>\$ 2,206,011</u>
Total in-kind contributions		

Also included in special events revenue during 2020 is \$150,000 of in-kind services related to the virtual gala in 2020.

12. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets available for general expenditure within one year as of December 31, 2021 and 2020. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 7,771,193	\$ 5,814,306
Contributions receivable, current portion	5,970,034	5,755,082
Accounts receivable	251,313	227,774
	<u>13,992,540</u>	<u>11,797,162</u>
Total financial assets		
Less donor restricted amounts	<u>10,817,533</u>	<u>11,428,847</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,175,007</u>	<u>\$ 368,315</u>

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

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

13. Paycheck Protection Program

On April 21, 2020, NPower received loan proceeds in the amount of \$2,511,000 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. The Organization initially recorded the funds as a refundable advance with forgiveness to be recorded in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived. Any unforgiven portion is payable over two years if issued before, or five years if issued after, June 5, 2020 at an interest rate of 1 percent with payments deferred until the SBA remits the Organization's loan forgiveness amount to the lender, or, if the Organization does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

As of December 31, 2020, NPower had expended all of the PPP funds received on qualified expenses, met all of the conditions attached to the PPP, and, on June 9, 2021, received notice from the SBA that forgiveness of the \$2,511,000 of the PPP proceeds was granted. Therefore, NPower recorded the PPP funds as a contribution of \$2,511,000 within its consolidated statement of activities and change in net assets for the year ended December 31, 2020.

On February 18, 2021, NPower was approved for and received proceeds from a second loan in the amount of \$2,000,000 under the PPP.

As of December 31, 2021, NPower had expended all of the PPP funds received on qualified expenses, met all of the conditions attached to the PPP, and, on August 27, 2021, received notice from the SBA that forgiveness of the \$2,000,000 of the PPP proceeds was granted. Therefore, NPower recorded the PPP funds as a contribution of \$2,000,000 within its consolidated statement of activities and change in net assets for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. NPower does not believe the results of any audits or reviews by the SBA would have a material impact on the consolidated financial statements.

NPower Inc. and AffiliateConsolidating Statement of Financial Position
December 31, 2021

	<u>NPower</u>	<u>NC</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 5,004,423	\$ 2,766,770	\$ -	\$ 7,771,193
Contributions receivable	5,216,029	754,005	-	5,970,034
Accounts receivable	166,549	84,764	-	251,313
Prepaid expenses	224,099	85,033	-	309,132
Total current assets	10,611,100	3,690,572	-	14,301,672
Contributions Receivable, Long-Term, Net	1,041,453	-	-	1,041,453
Security Deposits	152,647	-	-	152,647
Fixed Assets, Net	1,737,336	145,203	-	1,882,539
Interest in Net Assets of Affiliate	3,326,448	-	(3,326,448)	-
Total assets	<u>\$ 16,868,984</u>	<u>\$ 3,835,775</u>	<u>\$ (3,326,448)</u>	<u>\$ 17,378,311</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 625,607	\$ 352,234	\$ -	\$ 977,841
Accrued vacations payable	244,861	-	-	244,861
Accrued salaries, bonuses and related benefits	94,464	-	-	94,464
Deferred income	220,238	157,093	-	377,331
Total current liabilities	1,185,170	509,327	-	1,694,497
Deferred Rent	225,453	-	-	225,453
Total liabilities	1,410,623	509,327	-	1,919,950
Net Assets				
Net assets without donor restrictions	3,599,375	376,564	(376,564)	3,599,375
Net assets with donor restrictions	11,858,986	2,949,884	(2,949,884)	11,858,986
Total net assets	15,458,361	3,326,448	(3,326,448)	15,458,361
Total liabilities and net assets	<u>\$ 16,868,984</u>	<u>\$ 3,835,775</u>	<u>\$ (3,326,448)</u>	<u>\$ 17,378,311</u>

NPower Inc. and Affiliate

 Consolidating Statement of Activities and Change in Net Assets
 Year Ended December 31, 2021

	NPower			NC			Total Before Eliminations	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
Revenue, Gains and Other Support									
Contributions	\$ 12,195,912	\$ 7,257,395	\$ 19,453,307	\$ 8,284,623	\$ 1,808,721	\$ 10,093,344	\$ 29,546,651	\$ -	\$ 29,546,651
In-kind contributions	663,508	-	663,508	-	-	-	663,508	-	663,508
Special events income, net	1,309,311	-	1,309,311	-	-	-	1,309,311	-	1,309,311
Program service fees	1,101,802	-	1,101,802	-	-	-	1,101,802	(25,000)	1,076,802
Interest income	3	-	3	-	-	-	3	-	3
(Loss) earnings of affiliate	(14,477)	276,962	262,485	-	-	-	262,485	(262,485)	-
Net assets released from restrictions	8,302,256	(8,302,256)	-	1,531,759	(1,531,759)	-	-	-	-
Total revenue, gains and other support	23,558,315	(767,899)	22,790,416	9,816,382	276,962	10,093,344	32,883,760	(287,485)	32,596,275
Expenses									
Program services:									
Training programs	17,261,022	-	17,261,022	7,382,230	-	7,382,230	24,643,252	-	24,643,252
Total program services	17,261,022	-	17,261,022	7,382,230	-	7,382,230	24,643,252	-	24,643,252
Supporting services:									
Management and general	2,635,990	-	2,635,990	2,094,406	-	2,094,406	4,730,396	(25,000)	4,705,396
Fundraising	1,687,076	-	1,687,076	369,784	-	369,784	2,056,860	-	2,056,860
Total supporting services	4,323,066	-	4,323,066	2,464,190	-	2,464,190	6,787,256	(25,000)	6,762,256
Total expenses	21,584,088	-	21,584,088	9,846,420	-	9,846,420	31,430,508	(25,000)	31,405,508
Change in net assets before other item	1,974,227	(767,899)	1,206,328	(30,038)	276,962	246,924	1,453,252	(262,485)	1,190,767
Other Item									
Foreign currency translation gain	-	-	-	15,561	-	15,561	15,561	-	15,561
Change in net assets	1,974,227	(767,899)	1,206,328	(14,477)	276,962	262,485	1,468,813	(262,485)	1,206,328
Net Assets, Beginning	1,625,148	12,626,885	14,252,033	391,041	2,672,922	3,063,963	17,315,996	(3,063,963)	14,252,033
Net Assets, Ending	\$ 3,599,375	\$ 11,858,986	\$ 15,458,361	\$ 376,564	\$ 2,949,884	\$ 3,326,448	\$ 18,784,809	\$ (3,326,448)	\$ 15,458,361