

# **NPower Inc. and Affiliate**

Consolidated Financial Statements and  
Supplementary Information

December 31, 2017 and 2016



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# **NPower Inc. and Affiliate**

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December 31, 2017 and 2016

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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, 2017 and 2016, and the related consolidated statements of activities and change in net assets and functional expenses for the year ended December 31, 2017, and cash flows for the years ended December 31, 2017 and 2016, 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 audit. We did not audit the financial statements of NPower Canada, a related entity, as disclosed in Note 1, which statements reflect total assets of \$354,215 and \$211,688 as of December 31, 2017 and 2016, respectively, and total revenues, gains and other support of \$1,579,729 and \$1,046,206 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 Organization'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 Organization'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, 2017 and 2016, and the results of its operations for the year ended December 31, 2017 and its cash flows for the years ended December 31, 2017 and 2016, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Report on Summarized Comparative Information**

We have previously audited the Organization's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated June 28, 2017. In our opinion, the summarized comparative information on the consolidated statement of activities and change in net assets and consolidated statement of functional expenses presented herein for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

#### **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 16 to 17 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.

*Baker Tilly Virchow Krause, LLP*

New York, New York  
May 1, 2018

**NPower Inc. and Affiliate**

## Consolidated Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,761,798	\$ 3,778,479
Contributions receivable	1,703,494	692,800
Accounts receivable, net of allowance for uncollectible accounts of \$5,000 in 2017 and 2016	515,055	387,654
Prepaid expenses	31,884	23,514
	<u>4,012,231</u>	<u>4,882,447</u>
Total current assets	4,012,231	4,882,447
<b>Contributions Receivable, Long-term, Net</b>	989,159	126,887
<b>Security Deposit</b>	70,955	43,172
<b>Fixed Assets, Net</b>	512,000	233,168
	<u>512,000</u>	<u>233,168</u>
Total assets	<u>\$ 5,584,345</u>	<u>\$ 5,285,674</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 249,343	\$ 185,511
Accrued vacations payable	128,032	97,455
Accrued salaries, bonuses and related benefits	250,905	290,012
Deferred income	64,100	35,000
	<u>692,380</u>	<u>607,978</u>
Total current liabilities	692,380	607,978
<b>Deferred Rent</b>	33,571	17,646
	<u>33,571</u>	<u>17,646</u>
Total liabilities	<u>725,951</u>	<u>625,624</u>
<b>Net Assets</b>		
Unrestricted	(427,061)	545,063
Temporarily restricted	5,285,455	4,114,987
	<u>4,858,394</u>	<u>4,660,050</u>
Total net assets	4,858,394	4,660,050
Total liabilities and net assets	<u>\$ 5,584,345</u>	<u>\$ 5,285,674</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

(with summarized comparative totals for 2016)

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
<b>Revenues, Gains and Other Support</b>				
Contributions	\$ 5,581,184	\$ 5,157,955	\$ 10,739,139	\$ 9,978,610
In-kind contributions	1,607,465	-	1,607,465	1,432,395
Special events income, net of \$322,001 and \$291,487 in direct expenses for 2017 and 2016, respectively	1,306,773	-	1,306,773	1,508,760
Program service fees	1,199,311	-	1,199,311	1,196,976
Interest income	4,350	-	4,350	9,204
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>	<u>14,125,945</u>
Total revenues, gains and other support				
<b>Expenses</b>				
<b>Program Services</b>				
Training Programs	12,108,326	-	12,108,326	8,169,667
The Community Corps	-	-	-	1,926,603
	<u>12,108,326</u>	<u>-</u>	<u>12,108,326</u>	<u>10,096,270</u>
Total program services				
<b>Supporting Services</b>				
Management and general	1,757,818	-	1,757,818	1,182,665
Fundraising	806,003	-	806,003	688,153
	<u>2,563,821</u>	<u>-</u>	<u>2,563,821</u>	<u>1,870,818</u>
Total supporting services				
Total expenses	<u>14,672,147</u>	<u>-</u>	<u>14,672,147</u>	<u>11,967,088</u>
Change in net assets before other items	(985,577)	1,170,468	184,891	2,158,857
<b>Other Items</b>				
Foreign currency translation gain	13,453	-	13,453	2,758
	<u>(972,124)</u>	<u>1,170,468</u>	<u>198,344</u>	<u>2,161,615</u>
Change in net assets				
<b>Net Assets, Beginning of Year</b>	<u>545,063</u>	<u>4,114,987</u>	<u>4,660,050</u>	<u>2,498,435</u>
<b>Net Assets, End of Year</b>	<u>\$ (427,061)</u>	<u>\$ 5,285,455</u>	<u>\$ 4,858,394</u>	<u>\$ 4,660,050</u>

See notes to consolidated financial statements

**NPower Inc. and Affiliate****Consolidated Statement of Functional Expenses**

Year Ended December 31, 2017

(with summarized comparative totals for 2016)

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total Expenses 2017</b>	<b>Total Expenses 2016</b>
	<b>Training Programs</b>	<b>Management and General</b>	<b>Fundraising</b>		
Salaries	\$ 7,467,443	\$ 673,894	\$ 550,942	\$ 8,692,279	\$ 6,629,422
Payroll taxes and employee benefits	1,405,889	136,191	93,629	1,635,709	1,330,814
Rent	480,497	37,588	28,708	546,793	436,547
Professional fees	1,264,727	642,096	73,822	1,980,645	2,106,636
Stipends	365,380	-	-	365,380	297,883
Equipment leases	55,542	2,747	1,784	60,073	41,647
Printing and marketing	9,885	20,285	180	30,350	51,254
Office supplies	70,972	11,455	1,271	83,698	276,819
Travel, conferences and food	155,022	30,480	21,183	206,685	239,131
Insurance	3,207	52,737	-	55,944	49,403
Postage and delivery	10,632	1,207	442	12,281	9,050
Dues and subscriptions	7,764	11,137	35	18,936	15,245
Information technology	137,428	30,528	20,228	188,184	131,672
Depreciation and amortization	92,088	42,980	2,961	138,029	51,233
Repairs and maintenance	4,169	59	-	4,228	7,793
Licenses	367,554	4,155	2,038	373,747	208,966
Software and hardware - clients	73,053	15,946	8,613	97,612	39,760
Facilities Related	74,185	3,473	-	77,658	-
Uncollectible accounts	-	-	-	-	8,390
Miscellaneous	62,889	40,860	167	103,916	35,423
	<u>\$ 12,108,326</u>	<u>\$ 1,757,818</u>	<u>\$ 806,003</u>	<u>\$ 14,672,147</u>	<u>\$ 11,967,088</u>

See notes to consolidated financial statements

## NPower Inc. and Affiliate

Consolidated Statements of Cash Flows  
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 198,344	\$ 2,161,615
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Deferred rent	15,925	17,646
Depreciation and amortization	138,029	51,233
Change in discount	34,341	-
Donation of fixed assets	(227,380)	-
Decrease (increase) in assets:		
Contributions receivable	(1,907,307)	124,457
Accounts receivable	(127,401)	(221,311)
Prepaid expenses	(8,370)	(9,154)
Security deposits	(27,783)	(30,750)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	63,832	(37,079)
Accrued vacations payable	30,577	29,792
Accrued salaries, bonuses and related benefits	(39,107)	145,131
Deferred income	29,100	(71,591)
	<u>(1,827,200)</u>	<u>2,159,989</u>
Net cash flows from operating activities		
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	(189,481)	(228,237)
	<u>(189,481)</u>	<u>(228,237)</u>
Net cash flows from investing activities		
Net change in cash and cash equivalents	(2,016,681)	1,931,752
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>3,778,479</u>	<u>1,846,727</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,761,798</u>	<u>\$ 3,778,479</u>

### Noncash Transactions:

For the year ended December 31, 2017, the Organization received \$227,380 of fixed assets from donors included within in-kind contributions on the consolidated statement of activities and change in net assets.

See notes to consolidated financial statements



## **NPower Inc. and Affiliate**

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Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **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 2017 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 22-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 2017, 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 *Enterprise Service Management*. 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 2017, 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 2017, the program operated in Texas (Dallas).

*Enterprise Service Management* is an 8-week classroom training program that provides the opportunity to earn in-demand certifications including ITIL and Splunk. In 2017, the program operated in California (Alameda).

Approximately 800 young adults and military veterans were accepted into the programs in 2017 and over 2,500 graduates participate in the alumni network.

## **NPower Inc. and Affiliate**

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Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **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:

*Unrestricted* - 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.

*Temporarily restricted* - 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, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying consolidated statement of activities and change in net assets as net assets released from restrictions.

*Permanently restricted* - Net assets that are subject to donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or removed by actions of Organization. The Organization had no permanently restricted net assets as of December 31, 2017 and 2016.

#### **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**

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Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **Allowance for Doubtful Accounts**

NPower 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. NPower does not charge interest on outstanding receivables.

### **Fixed Assets**

Fixed assets are stated at cost. NPower 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 Revenue**

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

### **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 either temporarily or permanently 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement 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 unrestricted contributions.

### **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 unrestricted net assets 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 restricted contributions. 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 temporarily restricted net assets to unrestricted net assets at that time.

## **NPower Inc. and Affiliate**

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Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **Donated Services**

Contributions of services are recognized by NPower as both revenue and expense in the accompanying statement 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, 2017 and 2016, the fair rental value of which was recorded as contribution income and as rent expense in the accompanying 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 statement of activities and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **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 statement 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.

## **NPower Inc. and Affiliate**

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Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **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".

### **Prior Year Summarized Comparative Information**

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with NPower Inc. and Affiliate's consolidated financial statements for the year ended December 31, 2016, from which the information was derived.

### **Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 statement 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 financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in consolidated financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for the Organization for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-14 on the Organization's consolidated financial statements.

### **Evaluation of Subsequent Events**

Management has evaluated subsequent events through May 1, 2018, 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, 2017 and 2016

### **3. Contributions Receivable**

Contributions receivable as of December 31, 2017 and 2016 consists of unconditional promises to give as follows:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
Less than one year	\$ 1,703,494	\$ 692,800
One to five years	<u>1,023,500</u>	<u>126,887</u>
Total contributions	2,726,994	819,687
Discount on contributions receivable	<u>(34,341)</u>	<u>-</u>
Total	<u>\$ 2,692,653</u>	<u>\$ 819,687</u>

Discount rates used to calculate the net present value of the contributions at December 31, 2017 ranged from approximately 2.1% to 2.3%. As of December 31, 2016, the discount on amounts receivable in future years was not material and, therefore, was not recognized. As of December 31, 2017 and 2016, no allowance for uncollectible contributions was deemed necessary.

### **4. Fixed Assets, Net**

Fixed assets, net, consists of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 129,954	\$ 109,255
Furnishings and equipment	<u>562,222</u>	<u>166,434</u>
	692,176	275,689
Less accumulated depreciation and amortization	<u>(180,176)</u>	<u>(42,521)</u>
Total fixed assets	<u>\$ 512,000</u>	<u>\$ 233,168</u>

## **NPower Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **5. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time restricted	\$ 970,500	\$ 1,142,733
Time and purpose restricted - Training Programs	4,234,773	2,816,462
Time and purpose restricted - The Community Corps	-	155,792
Time and purpose restricted - Training Programs - NC	80,182	-
Total	<u>\$ 5,285,455</u>	<u>\$ 4,114,987</u>

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time restrictions	\$ 1,142,733	\$ -
The Community Corps	-	129,000
Training Programs	2,844,754	512,500
Training Programs - NC	-	146,421
Total	<u>\$ 3,987,487</u>	<u>\$ 787,921</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 statement of activities and change in net assets. The amount of accumulated translation adjustments is included in unrestricted net assets in the consolidated statements of financial position.

The accumulated foreign currency translation adjustments for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ (25,905)	\$ (28,663)
Foreign currency translation gain	13,453	2,758
Balance, end of year	<u>\$ (12,452)</u>	<u>\$ (25,905)</u>

## **NPower Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **7. Commitments**

The Organization is obligated under various non-cancellable operating leases for certain of its facilities, expiring through August 2026. Future minimum lease payments under these operating leases at December 31, 2017 are as follows:

Years ending December 31:	
2018	\$ 383,358
2019	282,606
2020	249,679
2021	238,847
2022	187,933
Thereafter	<u>623,517</u>
Total	<u>\$ 1,965,940</u>

Rent expense for the year ended December 31, 2017 and 2016 totaled \$546,793 and \$436,547, respectively.

The Organization has various equipment leases which expire on various dates through October 2021. Equipment rental expense for 2017 and 2016 was \$60,073 and \$41,647, respectively. All equipment leases are non-cancellable.

Future minimum lease payments under these equipment leases at December 31, 2017 are as follows:

Years ending December 31:	
2018	\$ 42,920
2019	42,188
2020	40,962
2021	<u>12,994</u>
Total	<u>\$ 139,064</u>

### **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, 2017, approximately 49% of total contributions receivable was due from two separate donors, with each representing greater than 10% of total contributions receivable. As of December 31, 2016, approximately 80% of total contributions receivable was due from four separate donors, with each representing greater than 10% of total contributions receivable.

For the year ended December 31, 2016, 23% of total revenues was from one donor.



## **NPower Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2017 and 2016

### **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, 2017 and 2016 was \$15,750 and \$10,144, 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, 2017 and 2016, NPower received the following noncash donations:

	<u>2017</u>	<u>2016</u>
Architectural services	\$ 5,125	\$ 15,990
Clothing	32,800	90,000
Consulting	890,405	1,030,515
Equipment	233,566	39,760
Graduation catering and supplies	25,224	-
Legal services	140,000	90,905
Office space	70,000	70,000
Student certification testing	148,200	-
Workshops and research	62,145	95,225
	<u>\$ 1,607,465</u>	<u>\$ 1,432,395</u>

**NPower Inc. and Affiliate**Consolidating Statement of Financial Position  
As of December 31, 2017

	<u>NPower</u>	<u>NC</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,470,647	\$ 291,151	\$ -	\$ 1,761,798
Contributions receivable	1,671,359	32,135	-	1,703,494
Accounts receivable, net	494,021	21,034	-	515,055
Prepaid expenses	21,989	9,895	-	31,884
Total current assets	3,658,016	354,215	-	4,012,231
Contributions Receivable, Long-term, Net	989,159	-	-	989,159
Security Deposit	70,955	-	-	70,955
Fixed Assets, Net	512,000	-	-	512,000
Interest in Net Assets of Affiliate	278,183	-	(278,183)	-
Total assets	<u>\$ 5,508,313</u>	<u>\$ 354,215</u>	<u>\$ (278,183)</u>	<u>\$ 5,584,345</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 173,311	\$ 76,032	\$ -	\$ 249,343
Accrued vacations payable	128,032	-	-	128,032
Accrued salaries, bonuses and related benefits	250,905	-	-	250,905
Deferred income	64,100	-	-	64,100
Total current liabilities	616,348	76,032	-	692,380
Deferred Rent	33,571	-	-	33,571
Total liabilities	649,919	76,032	-	725,951
<b>Net Assets</b>				
Unrestricted	(427,061)	198,001	(198,001)	(427,061)
Temporarily restricted	5,285,455	80,182	(80,182)	5,285,455
Total net assets	4,858,394	278,183	(278,183)	4,858,394
Total liabilities and net assets	<u>\$ 5,508,313</u>	<u>\$ 354,215</u>	<u>\$ (278,183)</u>	<u>\$ 5,584,345</u>

**NPower Inc. and Affiliate**

 Consolidating Statement of Activities and Change in Net Assets  
 Year Ended December 31, 2017

	NPower			NC			Total Before Eliminations	Eliminations	Total
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total			
<b>Revenue, Gains and Other Support</b>									
Contributions	\$ 4,081,637	\$ 5,077,773	\$ 9,159,410	\$ 1,499,547	\$ 80,182	\$ 1,579,729	\$ 10,739,139	\$ -	\$ 10,739,139
In-kind contributions	1,607,465	-	1,607,465	-	-	-	1,607,465	-	1,607,465
Special events, net	1,306,773	-	1,306,773	-	-	-	1,306,773	-	1,306,773
Program service fees	1,224,311	-	1,224,311	-	-	-	1,224,311	(25,000)	1,199,311
Interest income	4,350	-	4,350	-	-	-	4,350	-	4,350
Earnings of affiliate	33,291	80,182	113,473	-	-	-	113,473	(113,473)	-
Net assets released from restrictions	3,987,487	(3,987,487)	-	-	-	-	-	-	-
Total revenue, gains and other support	12,245,314	1,170,468	13,415,782	1,499,547	80,182	1,579,729	14,995,511	(138,473)	14,857,038
<b>Expenses</b>									
<b>Program Services</b>									
Training Programs	10,792,336	-	10,792,336	1,315,990	-	1,315,990	12,108,326	-	12,108,326
Total program services	10,792,336	-	10,792,336	1,315,990	-	1,315,990	12,108,326	-	12,108,326
<b>Supporting Services</b>									
Management and general	1,686,382	-	1,686,382	96,436	-	96,436	1,782,818	(25,000)	1,757,818
Fundraising	738,720	-	738,720	67,283	-	67,283	806,003	-	806,003
Total supporting services	2,425,102	-	2,425,102	163,719	-	163,719	2,588,821	(25,000)	2,563,821
Total expenses	13,217,438	-	13,217,438	1,479,709	-	1,479,709	14,697,147	(25,000)	14,672,147
Change in net assets before other items	(972,124)	1,170,468	198,344	19,838	80,182	100,020	298,364	(113,473)	184,891
<b>Other Items</b>									
Foreign currency translation gain	-	-	-	13,453	-	13,453	13,453	-	13,453
Change in net assets	(972,124)	1,170,468	198,344	33,291	80,182	113,473	311,817	(113,473)	198,344
<b>Net Assets, Beginning of Year</b>	545,063	4,114,987	4,660,050	164,710	-	164,710	4,824,760	(164,710)	4,660,050
<b>Net Assets, End of Year</b>	\$ (427,061)	\$ 5,285,455	\$ 4,858,394	\$ 198,001	\$ 80,182	\$ 278,183	\$ 5,136,577	\$ (278,183)	\$ 4,858,394