

NPower Inc. and Affiliate

Consolidated Financial Statements and
Supplementary Information

December 31, 2019 and 2018

NPower Inc. and Affiliate

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Independent Auditors' Report

To the Board of Directors of
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, 2019 and 2018, 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 \$926,820 and \$514,375 as of December 31, 2019 and 2018, respectively, and total revenues, gains and other support of \$2,732,008 and \$1,992,903 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. 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 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, 2019 and 2018, and change in their net assets and their 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 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 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 US, LLP

Melville, New York
July 29, 2020

NPower Inc. and AffiliateConsolidated Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,268,877	\$ 3,496,476
Contributions receivable	1,929,353	6,259,215
Accounts receivable, net of allowance for uncollectible accounts of \$5,000 in 2019 and 2018	472,006	571,090
Prepaid expenses	168,711	38,204
	<u>5,838,947</u>	<u>10,364,985</u>
Total current assets	5,838,947	10,364,985
Contributions Receivable, Long-Term, Net	330,718	288,310
Security Deposits	150,938	152,798
Fixed Assets, Net	2,564,114	1,951,115
	<u>2,564,114</u>	<u>1,951,115</u>
Total assets	<u>\$ 8,884,717</u>	<u>\$ 12,757,208</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 505,070	\$ 240,121
Accrued vacations payable	189,543	168,951
Accrued salaries, bonuses and related benefits	476,155	276,449
Deferred income	217,223	53,500
	<u>1,387,991</u>	<u>739,021</u>
Total current liabilities	1,387,991	739,021
Deferred Rent	157,572	52,589
	<u>157,572</u>	<u>52,589</u>
Total liabilities	<u>1,545,563</u>	<u>791,610</u>
Net Assets		
Net assets without donor restrictions	(852,269)	1,664,316
Net assets with donor restrictions	8,191,423	10,301,282
	<u>7,339,154</u>	<u>11,965,598</u>
Total net assets	7,339,154	11,965,598
Total liabilities and net assets	<u>\$ 8,884,717</u>	<u>\$ 12,757,208</u>

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statement of Activities and Change in Net Assets

Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 8,508,904	\$ 4,501,921	\$ 13,010,825
In-kind contributions	1,415,565	-	1,415,565
Special events income, net of \$339,125 in direct expenses	1,657,047	-	1,657,047
Program service fees	1,562,969	-	1,562,969
Interest income	2,939	-	2,939
Net assets released from restrictions	6,611,780	(6,611,780)	-
	<u>19,759,204</u>	<u>(2,109,859)</u>	<u>17,649,345</u>
Expenses			
Program services:			
Training programs	17,657,357	-	17,657,357
Total program services	<u>17,657,357</u>	<u>-</u>	<u>17,657,357</u>
Supporting services:			
Management and general	3,257,778	-	3,257,778
Fundraising	1,120,693	-	1,120,693
Total supporting services	<u>4,378,471</u>	<u>-</u>	<u>4,378,471</u>
Total expenses	<u>22,035,828</u>	<u>-</u>	<u>22,035,828</u>
Change in net assets before other items	(2,276,624)	(2,109,859)	(4,386,483)
Other Items			
Foreign currency translation loss	(239,961)	-	(239,961)
Change in net assets	(2,516,585)	(2,109,859)	(4,626,444)
Net Assets, Beginning	<u>1,664,316</u>	<u>10,301,282</u>	<u>11,965,598</u>
Net Assets, Ending	<u>\$ (852,269)</u>	<u>\$ 8,191,423</u>	<u>\$ 7,339,154</u>

See notes to consolidated financial statements

NPower Inc. and AffiliateConsolidated 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>
Revenues, Gains and Other Support			
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>
Expenses			
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
Other Items			
Foreign currency translation loss	(111,591)	-	(111,591)
Change in net assets	2,091,377	5,015,827	7,107,204
Net Assets, Beginning	<u>(427,061)</u>	<u>5,285,455</u>	<u>4,858,394</u>
Net Assets, Ending	<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 Functional Expenses

Year ended December 31, 2019

	Program Services	Supporting Services		Total
	Training Programs	Management and General	Fundraising	Expenses
Salaries	\$ 10,734,195	\$ 1,178,985	\$ 864,752	\$ 12,777,932
Payroll taxes and employee benefits	2,000,376	195,944	136,963	2,333,283
Rent	744,936	270,449	-	1,015,385
Professional fees	1,181,232	923,744	33,889	2,138,865
Stipends	769,966	-	-	769,966
Equipment leases	88,948	7,640	-	96,588
Printing and marketing	98,871	52,748	664	152,283
Office supplies	105,048	24,421	960	130,429
Travel, conferences and food	565,118	96,615	32,429	694,162
Insurance	48	107,881	-	107,929
Postage and delivery	6,411	4,172	47	10,630
Dues and subscriptions	9,381	20,708	3,599	33,688
Information technology	95,482	79,217	1,453	176,152
Depreciation and amortization	633,911	173,783	1,192	808,886
Licenses	280,396	1,152	-	281,548
Software and hardware, clients	98,268	37,212	44,639	180,119
Facilities related	161,081	33,516	-	194,597
Uncollectible accounts	16,478	-	-	16,478
Miscellaneous	67,211	49,591	106	116,908
Total expenses	<u>\$ 17,657,357</u>	<u>\$ 3,257,778</u>	<u>\$ 1,120,693</u>	<u>\$ 22,035,828</u>

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services	Supporting Services		Total Expenses
	Training Programs	Management and General	Fundraising	
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 Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (4,626,444)	\$ 7,107,204
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Deferred rent	104,983	19,018
Depreciation and amortization	808,886	351,505
Change in discount	(8,408)	(21,651)
Donation of fixed assets	(563,788)	(1,274,916)
(Increase) decrease in assets:		
Contributions receivable	4,295,862	(3,833,221)
Accounts receivable	99,084	(56,035)
Prepaid expenses	(130,507)	(6,320)
Security deposits	1,860	(81,843)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	264,949	(9,222)
Accrued vacations payable	20,592	40,919
Accrued salaries, bonuses and related benefits	199,706	25,544
Deferred income	163,723	(10,600)
Net cash flows from operating activities	<u>630,498</u>	<u>2,250,382</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	<u>(858,097)</u>	<u>(515,704)</u>
Net cash flows from investing activities	<u>(858,097)</u>	<u>(515,704)</u>
Net change in cash and cash equivalents	(227,599)	1,734,678
Cash and Cash Equivalents, Beginning	<u>3,496,476</u>	<u>1,761,798</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,268,877</u>	<u>\$ 3,496,476</u>

Noncash Transactions

For the years ended December 31, 2019 and 2018, the Organization received \$563,788 and \$1,274,916 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, 2019 and 2018

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 2019 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 and their spouses that results in career enhancing opportunities including jobs, technical certification and qualification for higher education. In 2019, the program operated in New York (Brooklyn and Harlem), New Jersey (Jersey City and Newark), Texas (Dallas), Maryland (Baltimore), Missouri (St. Louis) and California (San Jose) and provided the industry-recognized CompTIA certifications.

Advanced Certifications are accelerated training programs for more advanced IT coursework including *Cybersecurity*, *Cloud Computing*, and *Coding*. 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 14-week classroom instruction, or 18-week half day instruction 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 2019, the program operated in New York (Brooklyn), Maryland (Baltimore), Missouri (St. Louis) and Texas (Dallas) and provided the industry-recognized Cyber CompTIA Security+ and Network+ certifications.

Cloud Computing is a 12-week classroom training program that provides the opportunity to earn industry-recognized, in-demand certifications including AWS Cloud Practitioner and AWS Solutions Architect-Associate. In 2019, the program operated in New York (Brooklyn).

Coding is a 13-week classroom training program that provides the opportunity to learn in-demand languages including HTML, CSS, Javascript, jQuery, MYSQL, PHP and Python. In 2019, the program operated in Texas (Dallas).

1,046 young adults, military veterans and their spouses were accepted into the programs in 2019 and over 3,700 graduates participate in the alumni network.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018, 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.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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 student 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.

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.

A portion of the Organization's revenue is derived from cost-reimbursable federal 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 \$653,007 that have not been recognized as of December 31, 2019 because qualifying expenditures have not yet been incurred.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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 non-reciprocal 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 the free use of facilities for the years ended December 31, 2019 and 2018, 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.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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*.

Adopted Accounting Pronouncements

In 2019, the Organization adopted the FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective approach. The core principle under ASU 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. Additionally, ASU 2014-09 requires enhanced disclosures of revenue arrangements. Under the modified retrospective approach, the guidance is applied to the most current period presented, recognizing a cumulative effect of the adoption change as an adjustment to beginning net assets without donor restrictions. The Organization has determined that there is no change to the timing of revenue recognition under ASU 2014-09.

In accordance with ASC 606-10-50-13, the Organization is required to include disclosure of the remaining performance obligations. Due to the nature of the Organization's contracts, these reporting requirements are not applicable. The Organization's contracts meet the exemption as defined in ASC 606-10-50-14 because the performance obligations are part of a contract that has an original expected duration of one year or less. Performance obligations are satisfied as services are rendered.

In 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using the modified prospective approach. 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. Management determined that there is no impact of adopting ASU 2018-08 on the consolidated financial statements.

Recently Issued Accounting Pronouncements

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, 2021. Management is currently evaluating the impact of ASU 2016-02 on the Organization's consolidated financial statements.

Evaluation of Subsequent Events

Management has evaluated subsequent events through July 29, 2020, 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, 2019 and 2018

3. Contributions Receivable

Contributions receivable as of December 31, 2019 and 2018 consists of unconditional promises to give as follows:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 1,929,353	\$ 6,259,215
One to five years	335,000	301,000
Total contributions	2,264,353	6,560,215
Discount on contributions receivable	(4,282)	(12,690)
Total	<u>\$ 2,260,071</u>	<u>\$ 6,547,525</u>

The discount rate used to calculate the net present value of the contributions at December 31, 2019 was 1.4 percent. The discount rate used to calculate the net present value of the contributions at December 31, 2018 was 2.6 percent. As of December 31, 2019 and 2018, no allowance for uncollectible contributions was deemed necessary.

4. Fixed Assets, Net

Fixed assets, net, consists of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 266,127	\$ 167,754
Furnishings and equipment	3,122,711	2,315,042
Fixed assets subtotal	3,388,838	2,482,796
Accumulated depreciation and amortization	(1,340,665)	(531,681)
Fixed assets before work in progress, net	2,048,173	1,951,115
Work in progress:		
Detroit expansion	117,124	-
Alumni portal	398,817	-
Work in progress	515,941	-
Fixed assets, net	<u>\$ 2,564,114</u>	<u>\$ 1,951,115</u>

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

5. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Time restricted	\$ 445,000	\$ 616,000
Time and purpose restricted, Training Programs	7,445,729	9,412,530
Time and purpose restricted, Training Programs, NC	<u>300,694</u>	<u>272,752</u>
Total	<u>\$ 8,191,423</u>	<u>\$ 10,301,282</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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Time restrictions	\$ 315,000	\$ 554,500
Training Programs	6,024,028	3,072,289
Training Programs - NC	<u>272,752</u>	<u>80,182</u>
Total	<u>\$ 6,611,780</u>	<u>\$ 3,706,971</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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ (124,043)	\$ (12,452)
Foreign currency translation (loss)	<u>(239,961)</u>	<u>(111,591)</u>
Balance, end of year	<u>\$ (364,004)</u>	<u>\$ (124,043)</u>

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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 at December 31, 2019 are as follows:

Years ending December 31:	
2020	\$ 1,149,932
2021	1,144,138
2022	1,107,586
2023	1,035,273
2024	1,002,260
Thereafter	<u>3,823,434</u>
Total	<u>\$ 9,262,623</u>

Rent expense for the years ended December 31, 2019 and 2018 totaled \$1,015,385 and \$661,174, respectively.

The Organization has various equipment leases which expire on various dates through July 2024. Equipment rental expense for 2019 and 2018 was \$96,588 and \$52,861, respectively. All equipment leases are noncancellable.

Future minimum lease payments under these equipment leases at December 31, 2019 are as follows:

Years ending December 31:	
2020	\$ 56,990
2021	17,813
2022	3,870
2023	3,870
2024	<u>2,258</u>
Total	<u>\$ 84,801</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, 2019, approximately 11 percent of total contributions receivable was due from one donor. 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.

For the years ended December 31, 2019 and 2018, approximately 13 percent and 35 percent, respectively, of total revenues was from one donor.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018 was \$15,073 and \$14,871, 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, 2019 and 2018, NPower received the following noncash donations:

	<u>2019</u>	<u>2018</u>
Architectural services	\$ 12,345	\$ 51,583
Clothing	53,602	15,000
Consulting	925,812	1,646,080
Equipment	145,788	291,398
Graduation catering and supplies	30,368	66,770
Legal services	74,017	80,825
Office space	114,600	91,000
Student certification testing	-	40,000
Video conferencing	39,093	7,566
Workshops and research	19,940	33,199
	<u>\$ 1,415,565</u>	<u>\$ 2,323,421</u>

11. 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, 2019 and 2018. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,268,877	\$ 3,496,476
Contributions receivable, current portion	1,929,353	6,259,215
Accounts receivable, net	472,006	571,090
	<u>5,670,236</u>	<u>10,326,781</u>
Less donor restricted amounts	<u>7,860,705</u>	<u>10,012,972</u>
	<u>\$ (2,190,469)</u>	<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.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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. During the period January 1, 2020 through June 30, 2020, \$3,396,373 of the donor restricted amounts above were released from restriction.

12. Management's Plan to Continue Operations

As of December 31, 2019, the Organization had a deficit in net assets without donor restrictions and negative liquidity as shown in Note 11 above. Management's plan to continue operations given these factors is as follows:

For the period from January 1, 2020 through July 31, 2021, management has budgeted for a surplus in total net assets and both net assets with and without donor restrictions. Operations will be funded mainly by grants received with and without donor restrictions combined with the release of restrictions from grants received prior to December 31, 2019. General operating expense reductions will occur as a result of the COVID-19 pandemic and the resulting migration of in-classroom training programs to a virtual platform combined with employees transitioning to working from home; both conditions will exist through the end of 2020 and are likely, in some instances, to continue into 2021. Student internship expenses will be reduced significantly as host companies determine how best to or whether or not they can on-board interns to work in a virtual environment. In addition, the expected full forgiveness of the Paycheck Protection Program loan of \$2,511,000 received in April 2020 will have a positive contributory impact toward increasing revenue. Finally, the impact of funding from \$8,550,000 large, multi-year grants received to-date in 2020, with \$3,250,000 collected to date in 2020, and the Paycheck Protection Program loan combined with cash anticipated to be generated from ongoing fundraising activities will provide additional liquidity for use both in 2020 and 2021.

Management believes its plan outlined above alleviates substantial doubt of the Organization's ability to continue to operate beyond one year from the date the financial statements were issued.

13. Subsequent Events

In the first quarter of 2020, the outbreak of the coronavirus (COVID-19) pandemic began in the United States. The Organization's staff are working remotely and the training programs are being conducted virtually. The Organization has been approved for a loan in the amount of \$2,511,000 under the Paycheck Protection Program. In the opinion of management, no significant impact on the consolidated financial statements is expected.

NPower Inc. and AffiliateConsolidating Statement of Financial Position
December 31, 2019

	<u>NPower</u>	<u>NC</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,716,188	\$ 552,689	\$ -	\$ 3,268,877
Contributions receivable	1,797,335	132,018	-	1,929,353
Accounts receivable, net	425,511	46,495	-	472,006
Prepaid expenses	40,412	128,299	-	168,711
Total current assets	4,979,446	859,501	-	5,838,947
Contributions Receivable, Long-Term, Net	330,718	-	-	330,718
Security Deposits	150,938	-	-	150,938
Fixed Assets, Net	2,496,795	67,319	-	2,564,114
Interest in Net Assets of Affiliate	594,699	-	(594,699)	-
Total assets	<u>\$ 8,552,596</u>	<u>\$ 926,820</u>	<u>\$ (594,699)</u>	<u>\$ 8,884,717</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 359,172	\$ 145,898	\$ -	\$ 505,070
Accrued vacations payable	189,543	-	-	189,543
Accrued salaries, bonuses and related benefits	476,155	-	-	476,155
Deferred income	31,000	186,223	-	217,223
Total current liabilities	1,055,870	332,121	-	1,387,991
Deferred Rent	157,572	-	-	157,572
Total liabilities	<u>1,213,442</u>	<u>332,121</u>	<u>-</u>	<u>1,545,563</u>
Net Assets				
Net assets without donor restrictions	(852,269)	294,005	(294,005)	(852,269)
Net assets with donor restrictions	8,191,423	300,694	(300,694)	8,191,423
Total net assets	<u>7,339,154</u>	<u>594,699</u>	<u>(594,699)</u>	<u>7,339,154</u>
Total liabilities and net assets	<u>\$ 8,552,596</u>	<u>\$ 926,820</u>	<u>\$ (594,699)</u>	<u>\$ 8,884,717</u>

NPower Inc. and Affiliate

Consolidating Statement of Activities and Change in Net Assets
Year Ended December 31, 2019

	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	\$ 6,077,590	\$ 4,201,227	\$ 10,278,817	\$ 2,431,314	\$ 300,694	\$ 2,732,008	\$ 13,010,825	\$ -	\$ 13,010,825
In-kind contributions	1,415,565	-	1,415,565	-	-	-	1,415,565	-	1,415,565
Special events, net	1,657,047	-	1,657,047	-	-	-	1,657,047	-	1,657,047
Program service fees	1,587,969	-	1,587,969	-	-	-	1,587,969	(25,000)	1,562,969
Interest income	2,939	-	2,939	-	-	-	2,939	-	2,939
Earnings of affiliate	112,231	27,942	140,173	-	-	-	140,173	(140,173)	-
Net assets released from restrictions	6,339,028	(6,339,028)	-	272,752	(272,752)	-	-	-	-
Total revenue, gains and other support	17,192,369	(2,109,859)	15,082,510	2,704,066	27,942	2,732,008	17,814,518	(165,173)	17,649,345
Expenses									
Program services:									
Training programs	16,099,396	-	16,099,396	1,557,961	-	1,557,961	17,657,357	-	17,657,357
Total program services	16,099,396		16,099,396	1,557,961	-	1,557,961	17,657,357	-	17,657,357
Supporting services:									
Management and general	2,639,950	-	2,639,950	642,828	-	642,828	3,282,778	(25,000)	3,257,778
Fundraising	969,608	-	969,608	151,085	-	151,085	1,120,693	-	1,120,693
Total supporting services	3,609,558	-	3,609,558	793,913	-	793,913	4,403,471	(25,000)	4,378,471
Total expenses	19,708,954	-	19,708,954	2,351,874	-	2,351,874	22,060,828	(25,000)	22,035,828
Change in net assets before other items	(2,516,585)	(2,109,859)	(4,626,444)	352,192	27,942	380,134	(4,246,310)	(140,173)	(4,386,483)
Other Items									
Foreign currency translation loss	-	-	-	(239,961)	-	(239,961)	(239,961)	-	(239,961)
Change in net assets	(2,516,585)	(2,109,859)	(4,626,444)	112,231	27,942	140,173	(4,486,271)	(140,173)	(4,626,444)
Net Assets, Beginning	1,664,316	10,301,282	11,965,598	181,774	272,752	454,526	12,420,124	(454,526)	11,965,598
Net Assets, Ending	\$ (852,269)	\$ 8,191,423	\$ 7,339,154	\$ 294,005	\$ 300,694	\$ 594,699	\$ 7,933,853	\$ (594,699)	\$ 7,339,154