

CEC Stuyvesant Cove, Inc.
(d/b/a Solar One)

Financial Statements

December 31, 2014

Independent Auditors' Report

**Board of Directors,
CEC Stuyvesant Cove, Inc. (d/b/a Solar One)**

We have audited the accompanying financial statements of CEC Stuyvesant Cove, Inc. (d/b/a Solar One), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CEC Stuyvesant Cove, Inc. (d/b/a Solar One) as of December 31, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

O'CONNOR DAVIES, LLP

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**Board of Directors,
CEC Stuyvesant Cove, Inc. (d/b/a Solar One)**
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Report on Summarized Comparative Information

We have previously audited CEC Stuyvesant Cove, Inc. (d/b/a Solar One)'s December 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

August 31, 2015

CEC Stuyvesant Cove, Inc.
(d/b/a Solar One)

Statement of Financial Position
(with comparative amounts at December 31, 2013)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 280,281	\$ 107,094
Grants receivable	468,192	505,010
Service fees receivable	2,497	1,600
Pledges receivable	187,800	152,300
Prepaid expenses	4,308	9,575
Total Current Assets	943,078	775,579
Equipment and leasehold improvements, net	1,711,318	1,743,139
Security deposits	27,805	22,255
	\$2,682,201	\$2,540,973
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 337,237	\$ 323,439
Total Current Liabilities	337,237	323,439
Line of credit payable	500,000	-
Due to Community Environmental Center, Inc.	284,384	815,807
Total Liabilities	1,121,621	1,139,246
 Net Assets		
Unrestricted	906,579	945,393
Temporarily restricted	654,001	456,334
Total Net Assets	1,560,580	1,401,727
	\$2,682,201	\$2,540,973

See notes to financial statements

CEC Stuyvesant Cove, Inc.
(d/b/a Solar One)

Statement of Activities
(with summarized totals for the year ended December 31, 2013)

	Year Ended December 31			2013
	2014		Total	
	Unrestricted Net Assets	Temporarily Restricted Net Assets		
REVENUE AND SUPPORT				
Governmental income	\$1,867,747	\$ -	\$ 1,867,747	\$1,617,899
Service fees income	195,518	-	195,518	230,620
Fundraising events, net of expense of \$68,866 and \$225,961	16,373	-	16,373	25,119
Contributions				
Foundation	32,102	482,000	514,102	130,468
Corporate	8,037	190,000	198,037	253,000
Individual	10,015	-	10,015	31,355
In-kind contributions	115,435	-	115,435	106,443
Intercompany adjustments	31,423	-	31,423	335,364
Other income	37,642	-	37,642	57,060
Net assets released from restrictions	<u>474,333</u>	<u>(474,333)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>2,788,625</u>	<u>197,667</u>	<u>2,986,292</u>	<u>2,787,328</u>
EXPENSES				
Salaries and benefits	1,665,267	-	1,665,267	1,928,202
Contracted services	661,647	-	661,647	659,879
Insurance	22,403	-	22,403	23,136
Rent and utilities	132,622	-	132,622	125,190
Automobile and travel	9,949	-	9,949	13,476
Professional fees	32,900	-	32,900	15,500
Computer and other office expense	68,823	-	68,823	86,582
Equipment rental and purchases	13,941	-	13,941	62,636
Conferences	4,469	-	4,469	8,652
Telephone	21,469	-	21,469	17,256
Printing, postage and shipping	7,910	-	7,910	12,179
Advertising	525	-	525	1,216
Depreciation	32,491	-	32,491	31,821
Event expense	20,330	-	20,330	8,843
Interest expense	11,342	-	11,342	-
Donated services and supplies	115,435	-	115,435	31,789
Bank charges	3,128	-	3,128	5,487
Other	<u>2,788</u>	<u>-</u>	<u>2,788</u>	<u>6,210</u>
Total Expenses	<u>2,827,439</u>	<u>-</u>	<u>2,827,439</u>	<u>3,038,054</u>
Change in Net Assets	<u>(38,814)</u>	<u>197,667</u>	<u>158,853</u>	<u>(250,726)</u>
NET ASSETS				
Beginning of year	<u>945,393</u>	<u>456,334</u>	<u>1,401,727</u>	<u>1,652,453</u>
End of year	<u>\$ 906,579</u>	<u>\$ 654,001</u>	<u>\$ 1,560,580</u>	<u>\$1,401,727</u>

See notes to financial statements

CEC Stuyvesant Cove, Inc.
(d/b/a Solar One)

Statement of Cash Flows
(with comparative amounts for the year ended December 31, 2013)

	Year Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$158,853	\$(250,726)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	32,491	31,821
Donation of equipment	-	(74,654)
Changes in Operating Assets and Liabilities		
Grants receivable	36,818	(363,419)
Service fees receivable	(897)	263,213
Pledges receivable	(35,500)	392,700
Prepaid expense	5,267	(9,575)
Accounts payable	13,798	272,170
Due to Community Environmental Center, Inc.	<u>(531,423)</u>	<u>19,376</u>
Net Cash from Operating Activities	<u>(320,593)</u>	<u>280,906</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Security deposit paid	(5,550)	-
Equipment and leasehold improvements acquisitions	<u>(670)</u>	<u>(311,592)</u>
Net Cash from Investing Activities	<u>(6,220)</u>	<u>(311,592)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit borrowings	<u>500,000</u>	-
Net Change in Cash and Cash Equivalents	173,187	(30,686)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>107,094</u>	<u>137,780</u>
End of year	<u>\$280,281</u>	<u>\$ 107,094</u>

See notes to financial statements

CEC Stuyvesant Cove, Inc.
(d/b/a Solar One)

Notes to Financial Statements
December 31, 2014

1. Organization

Nature of Business

CEC Stuyvesant Cove, Inc. ("Solar One") was incorporated on May 16, 2003 under the laws of the State of New York. Community Environmental Center, Inc. ("CEC") is the sole member of Solar One.

Solar One is a New York not-for-profit corporation, which educates individuals about the critical environmental issues facing the Metropolitan area and maintains a park and environmental learning center. Solar One is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Solar One considers all highly liquid debt instruments purchased with a maturity of three months or less when purchased to be cash equivalents.

Net Asset Classification

Net assets are classified based on the existence or absence of donor-imposed restrictions.

Grants and Service Fees Receivable

Allowance for doubtful accounts is based on management's review of outstanding balances, credit history and other factors. Management believes that all receivables are collectible and, accordingly, no provision for doubtful collection is deemed necessary.

CEC Stuyvesant Cove, Inc.
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Notes to Financial Statements
December 31, 2014

2. Summary of Significant Accounting Policies (continued)

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost or, for donated items, at fair value at date of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. The range of these lives is 3 to 5 years. Solar One capitalizes equipment over \$1,000 with a life greater than a year.

Contributions

Contributions, including promises to give, are recorded as unrestricted support unless received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets.

In-kind Contributions

Contributions of services are recognized at fair value when they are received if the services either create or enhance nonfinancial assets, or require specialized skills, and those skills are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated goods distributed are recorded as income and expense at the time they are received which is normally also the time they are placed into service or distributed.

During 2014, Solar One obtained pro-bono legal counsel to assist with the legal services related to the JPMorgan Chase Bank, NA ("Chase") Settlement (the "Settlement Agreement"). The amount of contributed legal services during 2014 was \$95,920.

Government Contracts and Grants

Solar One's government contracts and grants are exchange transactions and reported as revenue. Such revenue is limited for the use specified by the grantor, who monitors costs incurred.

Revenue Recognition

Performance-based contracts revenue is recorded when the performance tests have been met. Expenditures related to the performance-based contracts are recorded when the expenditures are incurred. Service fees are recognized when services are rendered and when collection is reasonably assured.

Advertising Costs

All publicity and advertising costs are expensed as incurred.

CEC Stuyvesant Cove, Inc.
(d/b/a Solar One)

Notes to Financial Statements
December 31, 2014

2. Summary of Significant Accounting Policies (continued)

Reclassification

Certain amounts in the 2013 financial statements have been reclassified for comparative purposes only.

Accounting for Uncertainty in Income Taxes

Solar One recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that Solar One had no uncertain tax positions that would require financial statement recognition. Solar One is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2011.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 31, 2015.

3. Concentration of Credit Risk and Fair Value

Solar One's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and grants receivable. At times, cash deposited in banks may exceed FDIC insured limits.

Grants receivable are principally from federal, state and city government agencies.

4. Pledges Receivable

As of December 31, 2014, management has determined all pledges receivable are collectible within the year.

5. Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of:

Leasehold improvements	\$ 5,773
Equipment	265,310
Construction in progress	<u>1,626,433</u>
	1,897,516
Less accumulated depreciation	<u>186,198</u>
	<u>\$1,711,318</u>

Construction in progress consists principally of architectural and engineering fees for the construction of a teaching facility ("Solar 2"). Solar 2 will be a state of the art facility for Solar One's environmental educational programs.

CEC Stuyvesant Cove, Inc.
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Notes to Financial Statements
December 31, 2014

6. Related Party Transactions

During 2014, Solar One rendered services to another organization on behalf of CEC. Total consideration received from CEC in connection with these services was \$55,563.

During 2014 Solar One paid \$500,000 to reduce the amount due to CEC, which was financed through a line of credit with Chase. Also, CEC's Board of Directors approved a portion of the intercompany liabilities from Solar One to be adjusted for \$31,423, which is included on the Statement of Activities for the year ended December 31, 2014. At December 31, 2014 the total amount due to CEC was \$284,384.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at December 31, 2014:

Green Design Lab	\$ 127,000
Solar 2	215,334
Community Solar	<u>311,667</u>
	<u>\$ 654,001</u>

8. Net Assets Released from Restrictions

Net assets were released from restriction for the following purposes for the year ended December 31, 2014:

Green Design Lab	\$ 359,500
Solar 2	16,000
Green Workforce	34,000
Park	1,500
Community Solar	<u>63,333</u>
	<u>\$ 474,333</u>

9. Employee Benefit Plans

Solar One participates in an annuity plan whereby employees can defer a portion of their income through contributions to the plan. Solar One contributions under the plan were \$1,145 in 2014.

10. Line of Credit Payable

Solar One has a line of credit with Chase, allowing for borrowings up to \$500,000 with a maturity date of January 9, 2015. Interest accrues at a variable rate equal to the one month LIBOR rate plus 3.91%. At December 31, 2014 the interest rate is 4.08% (One month LIBOR rate 0.17%). At December 31, 2014 there was a \$500,000 outstanding balance on the line of credit. The line of credit is secured by Solar One's assets.

**CEC Stuyvesant Cove, Inc.
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Notes to Financial Statements
December 31, 2014

11. Commitments and Contingencies

Commitments

During 2014, Solar One entered into non-cancelable lease agreements for office space that expire on May 14, 2016 and December 31, 2016. Rent expense under the agreements was \$124,002 as of December 31, 2014. The minimum annual future rental payments under this agreement are as follows:

2015	\$129,240
2016	<u>107,000</u>
	<u>\$236,240</u>

Contingencies

Solar One has a thirty-year lease agreement with the City of New York for \$1 a year. The agreement, which expires on October of 2042, is contingent upon the construction of Solar 2.

Expenditures related to government grants can be subject to audit by the respective funding sources. Management believes that the results of any such audit would not have an adverse effect on the financial statements.

Solar One has been involved in certain legal actions during the ordinary course of business. Solar One believes it has defenses for such claims and that the claims as they relate to Solar One are substantially without merit, and legal actions against Solar One will not have a material effect on Solar One's financial position, activities, or cash flows.

12. Guarantor

Chase has claimed that Solar One has guaranteed CEC's debt on three separate loans with Chase. The loans taken out by CEC include a \$150,000 installment loan dated September 20, 2011, a \$512,593 installment loan dated April 23, 2013 and a \$1,000,000 line of credit loan dated October 11, 2013. The guarantee of CEC's debt by Solar One was initiated through a commercial guaranty agreement on December 22, 2010.

Solar One would be obligated to perform all provisions of the loan agreements under the guarantee if CEC fails to pay principal or interest when due plus any charges, fees and expenses or fails to meet any financial or nonfinancial covenants to the lender, subject to any defense Solar One may have.

**CEC Stuyvesant Cove, Inc.
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Notes to Financial Statements
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13. Subsequent Events

In 2014, CEC retained bankruptcy counsel, and on March 19, 2015 filed a petition for chapter 11 bankruptcy. On April 20, 2015, CEC filed a motion with the Bankruptcy Court for approval of the Settlement Agreement. On July 15, 2015, the Bankruptcy Court approved the Settlement Agreement among Chase, CEC and Solar One in which Solar One agreed to pay \$250,000 to Chase as well as legal fees and expenses incurred by Chase not to exceed \$10,000 in order to be released from the line of credit payable, guarantorship, and the amount due to CEC. On July 22, 2015, Solar One paid \$250,000 to Chase. On July 27, 2015 Solar One was released of all liabilities and guarantorship to Chase and CEC. Also, as part of the Settlement Agreement, CEC agreed to extinguish its membership in Solar One.

In 2015, Solar One obtained a \$250,000 promissory note from a foundation, maturing on July 31, 2020. Interest is payable quarterly and bears a floating interest of the prime rate as published in the Wall Street Journal plus 3.00%. At December 31, 2014 the interest rate is 6.25% (Wall Street Journal prime rate 3.25%). The loan is secured by Solar One's assets. This promissory note was used to satisfy the Settlement Agreement.

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