

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

Financial Statements

December 31, 2017

## 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, 2017, 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, 2017 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.

**Report on Summarized Comparative Information**

We have previously audited CEC Stuyvesant Cove, Inc. (d/b/a Solar One)'s December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

June 14, 2018

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

Statement of Financial Position  
December 31, 2017  
(with comparative amounts at December 31, 2016)

	2017	2016
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 847,383	\$ 545,137
Government contracts receivable	485,737	369,290
Service fees receivable	28,975	59,528
Contributions receivable, net	719,700	464,946
Prepaid expenses	9,476	10,452
Total Current Assets	2,091,271	1,449,353
Equipment and leasehold improvements, net	1,616,536	1,648,572
Security deposits	23,575	23,575
	<b>\$3,731,382</b>	<b>\$3,121,500</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 425,243	\$ 261,962
Loan payable	198,237	200,000
Total Liabilities	623,480	461,962
Net Assets		
Unrestricted	1,609,166	1,455,560
Temporarily restricted	1,498,736	1,203,978
Total Net Assets	3,107,902	2,659,538
	<b>\$3,731,382</b>	<b>\$3,121,500</b>

See notes to financial statements

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

Statement of Activities  
Year Ended December 31, 2017  
(with summarized totals for the year ended December 31, 2016)

	2017		2016	
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total	Total
<b>REVENUE AND SUPPORT</b>				
Governmental income	\$ 1,221,383	\$ -	\$ 1,221,383	\$ 1,431,109
Service fees income	1,122,244	-	1,122,244	650,247
Fundraising events, net of expense of \$13,049 and \$9,083 for 2017 and 2016	43,901	-	43,901	34,496
Contributions				
Foundation	75,734	1,228,000	1,303,734	1,109,766
Corporate	13,524	135,000	148,524	194,310
Individual	19,184	-	19,184	9,660
In-kind contributions	39,963	-	39,963	166,460
Other income	25,694	-	25,694	68,649
Net assets released from restrictions	<u>1,068,242</u>	<u>(1,068,242)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>3,629,869</u>	<u>294,758</u>	<u>3,924,627</u>	<u>3,664,697</u>
<b>EXPENSES</b>				
Salaries and benefits	2,323,777	-	2,323,777	1,841,173
Contracted services	480,009	-	480,009	436,238
Insurance	49,632	-	49,632	44,460
Rent and utilities	126,955	-	126,955	149,196
Automobile and travel	26,436	-	26,436	23,436
Professional fees	20,500	-	20,500	19,850
Computer and other office expense	158,271	-	158,271	104,037
Equipment rental and purchases	17,199	-	17,199	19,329
Conferences	13,222	-	13,222	2,703
Telephone	24,711	-	24,711	22,963
Printing, postage and shipping	10,756	-	10,756	9,724
Advertising	1,035	-	1,035	1,560
Depreciation	18,986	-	18,986	33,075
Event expense	14,230	-	14,230	20,533
Interest expense	13,011	-	13,011	16,694
Donated services and supplies	39,963	-	39,963	166,460
Government contract refund	116,114	-	116,114	-
Other	<u>21,456</u>	<u>-</u>	<u>21,456</u>	<u>14,695</u>
Total Expenses	<u>3,476,263</u>	<u>-</u>	<u>3,476,263</u>	<u>2,926,126</u>
Change in Net Assets	153,606	294,758	448,364	738,571
<b>NET ASSETS</b>				
Beginning of year	<u>1,455,560</u>	<u>1,203,978</u>	<u>2,659,538</u>	<u>1,920,967</u>
End of year	<u>\$ 1,609,166</u>	<u>\$ 1,498,736</u>	<u>\$ 3,107,902</u>	<u>\$ 2,659,538</u>

See notes to financial statements

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

Statement of Cash Flows  
Year Ended December 31, 2017  
(with comparative amounts for the year ended December 31, 2016)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 448,364	\$ 738,571
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	18,986	33,075
Donated assets	13,050	-
Discount on contributions receivable	(4,734)	4,734
Changes in Operating Assets and Liabilities		
Government contracts receivable	(116,447)	13,701
Service fees receivable	30,553	(40,479)
Contributions receivable	(250,020)	(469,580)
Prepaid expenses	976	(2,029)
Accounts payable and accrued expenses	163,281	(20,734)
Net Cash from Operating Activities	304,009	257,259
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Security deposit returned	-	10,000
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan borrowings	48,237	-
Payment on loan borrowings	(50,000)	(50,000)
Net Cash from Financing Activities	(1,763)	(50,000)
Net Change in Cash and Cash Equivalents	302,246	217,259
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	545,137	327,878
End of year	\$ 847,383	\$ 545,137
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 13,011	\$ 16,694

See notes to financial statements

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

Notes to Financial Statements  
December 31, 2017

**1. Organization**

***Nature of Business***

CEC Stuyvesant Cove, Inc. (d/b/a Solar One) ("Solar One") was incorporated on May 16, 2003 under the laws of the State of New York.

Solar One is a New York not-for-profit corporation, which educates individuals about the critical environmental issues facing the New York 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 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. Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in Solar One's operations. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or restricted by time. Permanently restricted net assets result from contributions and other inflows of assets whose use by Solar One is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Solar One. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

**CEC Stuyvesant Cove, Inc.**  
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Notes to Financial Statements  
December 31, 2017

**2. Summary of Significant Accounting Policies (continued)**

***Allowance for Doubtful Accounts***

The 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.

***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.

Equipment and leasehold improvements are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the years ended December 31, 2017 and 2016.

***Contributions***

Contributions, including promises to give, are recorded when received as unrestricted support unless donor stipulations 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.

***Government Contracts and Grants***

Solar One's government contracts and grants are exchange transactions and reported as revenue when the related expenses are incurred. Such revenue is limited for the use specified by the grantor, who monitors costs incurred. At December 31, 2017, all contracts and service fees receivable are due in 2018.

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

Notes to Financial Statements  
December 31, 2017

**2. Summary of Significant Accounting Policies (continued)**

***Revenue Recognition***

Performance-based contract 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.

***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 or disclosure. Solar One is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2014.

***Prior Year Summarized Information***

The financial statements include certain prior year summarized comparative information in total only, which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Solar One's financial statements for 2016, from which the summarized information was derived.

***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 June 14, 2018.

**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 receivables. At times, cash deposited in banks may exceed Federal Deposit Insurance Corporation ("FDIC") insured limits.

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

**CEC Stuyvesant Cove, Inc.**  
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Notes to Financial Statements  
December 31, 2017

**4. Contributions Receivable**

Management expects contributions receivable to be realized in the following periods at December 31:

	2017	2016
Due within one year	\$ 719,700	\$ 329,680
Due within two years	-	140,000
	719,700	469,680
Less discount to present value	-	(4,734)
	\$ 719,700	\$ 464,946

To reflect time value of money, contributions receivable as of December 31, 2016 were discounted to the present value at a rate of 3.50%. Solar One had amounts due of \$400,000 from one donor on December 31, 2017, and \$265,000 from another donor on December 31, 2016.

**5. Equipment and Leasehold Improvements**

Equipment and leasehold improvements consist of the following at December 31:

	2017	2016
Leasehold improvements	\$ 5,773	\$ 5,773
Equipment	267,757	267,757
Construction in progress	1,613,383	1,626,433
	1,886,913	1,899,963
Less accumulated depreciation	270,377	251,391
	\$ 1,616,536	\$ 1,648,572

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.

**6. Temporarily Restricted Net Assets**

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

	2017	2016
Green Design Lab	\$ 26,999	\$ 231,632
Solar 2	120,296	185,846
Green Workforce	-	30,000
Here Comes Solar	1,351,441	756,500
	\$ 1,498,736	\$ 1,203,978

**CEC Stuyvesant Cove, Inc.**  
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Notes to Financial Statements  
December 31, 2017

**7. Net Assets Released from Restrictions**

Net assets were released from restriction for the following purposes for the years ended December 31:

	2017	2016
Green Design Lab	\$ 366,633	\$ 232,367
Solar 2	65,550	89,489
Green Workforce	30,000	1,000
Park	1,000	1,500
Here Comes Solar	605,059	237,500
	<u>\$1,068,242</u>	<u>\$ 561,856</u>

**8. Loan Payable**

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, 2017 the interest rate is 7.50% (Wall Street Journal prime rate 4.50%). The loan is secured by Solar One's assets. The loan balance was \$150,000 as of December 31, 2017 and \$200,000 at December 31, 2016.

In 2016, Solar One obtained a \$225,000 program-related investment loan from a foundation to provide a working capital facility for the operations of its programs. Interest is payable quarterly and bears a floating interest of the prime rate as published in the Wall Street Journal plus 3.00% only on amounts drawn down. The loan is secured by Solar One's assets. The promissory note required Solar One to open an "Earmarked Fund Account-Money Market" ("EFA") with another foundation and deposit all of the loan proceeds in such EFA. Funds may be withdrawn or deposited from and to the EFA on five business days' notice to the foundation and shall be limited to three withdrawals and two deposits per month. There were no amounts drawn upon or outstanding under the EFA as of December 31, 2017 and 2016.

In 2017, Solar One obtained a \$48,237 loan from the Fund for the City of New York to cover cash flow pending receipt of funds from the NYC Department of Education. This was an interest free loan and was due no later than 90 calendar days from the date of the signed loan agreement. The loan balance was \$48,237 as of December 31, 2017. The loan was repaid in March 2018 upon payment of the same amount from the NYC Department of Education.

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

Notes to Financial Statements  
December 31, 2017

**9. Commitments and Contingencies**

***Commitments***

Solar One entered into non-cancelable lease agreements for office space that expire on March 31, 2019 and December 31, 2018. Rent expense under the agreements was \$119,701 and \$128,201 for the years ended December 31, 2017 and 2016. The minimum annual future rental payments under these agreements are as follows:

2018	\$ 123,945
2019	<u>7,815</u>
	<u>\$ 131,760</u>

***Contingencies***

Solar One has a thirty-year lease agreement with the City of New York for \$1 a year for the blacktop area at the north end of Stuyvesant Cove Park. The agreement, which expires in October of 2042, is contingent upon the construction of Solar 2.

Expenditures related to government contracts 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, 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.

**10. Functional Expenses**

Solar One's functional classification of expenses for 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Program	\$ 2,737,596	\$ 2,309,142
Management and general	634,611	536,048
Fundraising	<u>104,056</u>	<u>80,936</u>
Total Expenses	<u>\$ 3,476,263</u>	<u>\$ 2,926,126</u>

**CEC Stuyvesant Cove, Inc.  
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Notes to Financial Statements  
December 31, 2017

**11. Subsequent Event**

In late March 2018, Solar One became aware of certain discrepancies in its invoicing to the NYC Department of Education (DOE) between the years 2015-2018. In early April, 2018 Solar One reported those discrepancies to the DOE. The DOE reviewed the discrepancies and Solar One has resolved them through a government contract refund to the DOE, which is included in accounts payable and accrued expenses at December 31, 2017.

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