

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

Financial Statements

December 31, 2018



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, 2018, and the related statements of activities, functional expenses 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, 2018 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018 CEC Stuyvesant Cove, Inc. (d/b/a Solar One), adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited CEC Stuyvesant Cove, Inc.'s (d/b/a Solar One) December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

June 21, 2019

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

Statement of Financial Position
December 31, 2018
(with comparative amounts at December 31, 2017)

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 669,293	\$ 847,383
Government contracts receivable	532,061	485,737
Service fees receivable	59,777	28,975
Contributions receivable	5,000	719,700
Prepaid expenses	6,043	9,476
Total Current Assets	1,272,174	2,091,271
Equipment and leasehold improvements, net	1,613,383	1,616,536
Security deposits	23,575	23,575
	\$2,909,132	\$3,731,382
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 278,250	\$ 425,243
Loans payable	137,500	198,237
Total Liabilities	415,750	623,480
Net Assets		
Without donor restrictions	1,594,461	1,609,166
With donor restrictions	898,921	1,498,736
Total Net Assets	2,493,382	3,107,902
	\$2,909,132	\$3,731,382

See notes to financial statements

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

Statement of Activities
Year Ended December 31, 2018
(with summarized totals for the year ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Governmental income	\$ 1,277,303	\$ -	\$ 1,277,303	\$ 1,221,383
Service fees income	1,092,496	-	1,092,496	1,122,244
Fundraising events, net of expenses of \$12,590 and \$13,049 for 2018 and 2017	55,207	-	55,207	43,901
Contributions				
Foundation	25,000	194,000	219,000	1,303,734
Corporate	16,010	174,500	190,510	148,524
Individual	18,883	-	18,883	19,184
In-kind contributions	402,694	-	402,694	123,963
Other income	19,535	-	19,535	25,694
Net assets released from restrictions	<u>968,315</u>	<u>(968,315)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>3,875,443</u>	<u>(599,815)</u>	<u>3,275,628</u>	<u>4,008,627</u>
EXPENSES				
Program	3,102,339	-	3,102,339	2,808,828
Management and general	651,729	-	651,729	647,379
Fundraising	<u>136,080</u>	<u>-</u>	<u>136,080</u>	<u>104,056</u>
Total Expenses	<u>3,890,148</u>	<u>-</u>	<u>3,890,148</u>	<u>3,560,263</u>
Change in Net Assets	(14,705)	(599,815)	(614,520)	448,364
NET ASSETS				
Beginning of year	<u>1,609,166</u>	<u>1,498,736</u>	<u>3,107,902</u>	<u>2,659,538</u>
End of year	<u>\$ 1,594,461</u>	<u>\$ 898,921</u>	<u>\$ 2,493,382</u>	<u>\$ 3,107,902</u>

See notes to financial statements

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

Statement of Functional Expenses
Year Ended December 31, 2018
(with summarized totals for the year ended December 31, 2017)

	Program	Management and General	Fundraising	2018 Total	2017 Total
Salaries and benefits	\$ 2,196,924	\$ 286,193	\$ 129,722	\$ 2,612,839	\$ 2,323,777
Contracted services	403,738	20,015	-	423,753	480,009
Insurance	21,871	22,583	-	44,454	49,632
Rent and utilities (Includes in-kind rent of \$84,000)	32,992	184,054	-	217,046	210,955
Automobile and travel	13,657	11,702	142	25,501	26,436
Professional fees	-	27,200	-	27,200	20,500
Computer and other office expense	69,195	62,536	1,698	133,429	158,271
Equipment rental and purchases	10,955	5,548	-	16,503	17,199
Conferences	1,989	75	-	2,064	13,222
Telephone	8,854	11,389	-	20,243	24,711
Printing, postage and shipping	7,208	3,734	2,938	13,880	10,756
Advertising	1,192	373	180	1,745	1,035
Depreciation	-	3,153	-	3,153	18,986
Event expense	9,810	-	1,022	10,832	14,230
Interest expense	-	11,244	-	11,244	13,011
Donated services and supplies	318,694	-	-	318,694	39,963
Government contract refund	-	-	-	-	116,114
Other	5,260	1,930	378	7,568	21,456
	<u>\$ 3,102,339</u>	<u>\$ 651,729</u>	<u>\$ 136,080</u>	<u>\$ 3,890,148</u>	<u>\$ 3,560,263</u>

See notes to financial statements

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

Statement of Cash Flows
Year Ended December 31, 2018
(with comparative amounts for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (614,520)	\$ 448,364
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	3,153	18,986
Donated assets	-	13,050
Discount on contributions receivable	-	(4,734)
Changes in Operating Assets and Liabilities		
Government contracts receivable	(46,324)	(116,447)
Service fees receivable	(30,802)	30,553
Contributions receivable	714,700	(250,020)
Prepaid expenses	3,433	976
Accounts payable and accrued expenses	(146,993)	163,281
Net Cash from Operating Activities	<u>(117,353)</u>	<u>304,009</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan borrowings	-	48,237
Payment on loan borrowings	<u>(60,737)</u>	<u>(50,000)</u>
Net Cash from Financing Activities	<u>(60,737)</u>	<u>(1,763)</u>
Net Change in Cash and Cash Equivalents	(178,090)	302,246
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>847,383</u>	<u>545,137</u>
End of year	<u>\$ 669,293</u>	<u>\$ 847,383</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 11,244	\$ 13,011

See notes to financial statements

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

Notes to Financial Statements
December 31, 2018

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.

Change in Accounting Principle

On January 1, 2018, Solar One adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires Solar One to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires Solar One to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for temporarily restricted net assets were reclassified as net assets with donor restrictions and unrestricted net assets were reclassified as net assets without donor restrictions.

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.

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

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Net Asset Classification

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use is limited by donors to a specific time period or purpose or limited by donors for investment in perpetuity. There were no net assets limited by donors for investment in perpetuity as of December 31, 2018.

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, 2018 and 2017.

Contributions

Contributions, including promises to give, are recorded when received as net assets without donor restrictions unless donor stipulations limit the use of the donation. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished or time restriction has lapsed, net assets with donor restrictions are released to net assets without donor restrictions. At December 31, 2018, all contributions receivable are due in 2019.

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. Solar One receives discounted rent on property leased from the City of New York and records the fair value of the discount on the statement activities as revenue and support.

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

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

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, 2018, all contracts and service fees receivable are due in 2019.

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.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function, specifically program services which consist of green hard skills technical training, environmental STEM education, and solar and resiliency education and initiatives. Certain expenses are attributable to more than one program or supporting function and have been allocated among program services, management and general and fundraising. These expenses include salaries and benefits, insurance, rent and utilities, computer and other office expenses, telephone among others, which are allocated based on estimates of time and effort.

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 2015.

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 2017, from which the summarized information was derived.

CEC Stuyvesant Cove, Inc.
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Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

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 21, 2019.

Reclassifications

Certain 2017 amounts have been reclassified to conform to the current year presentation.

3. Concentration of Credit Risk

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.

4. Equipment and Leasehold Improvements

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

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 5,773	\$ 5,773
Equipment	267,757	267,757
Construction in progress	<u>1,613,383</u>	<u>1,613,383</u>
	1,886,913	1,886,913
Less accumulated depreciation	<u>273,530</u>	<u>270,377</u>
	<u>\$1,613,383</u>	<u>\$1,616,536</u>

Construction in progress consisted principally of architectural and engineering fees for the construction of the Solar One Environmental Education Center ("S1EEC"). During 2017, Solar One executed an agreement with the New York City Economic Development Corporation ("NYC EDC"), where the NYC EDC and Solar One would be responsible to design, construct and manage S1EEC. S1EEC 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, 2018

5. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2018	2017
Green Design Lab	\$ 89,499	\$ 26,999
S1EEC	120,296	120,296
Here Comes Solar	689,126	1,351,441
	\$ 898,921	\$ 1,498,736

6. Net Assets Released from Restrictions

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

	2018	2017
Green Design Lab	\$ 130,000	\$ 366,633
S1EEC	-	65,550
Green Workforce	-	30,000
Park	1,000	1,000
Here Comes Solar	837,315	605,059
	\$ 968,315	\$ 1,068,242

7. Loans 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, 2018 the interest rate is 8.50% (Wall Street Journal prime rate 5.50%). The loan is secured by Solar One's assets. The loan balance was \$137,500 as of December 31, 2018 and \$150,000 at December 31, 2017.

Solar One has a \$325,000 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, 2018 and 2017.

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

Notes to Financial Statements
December 31, 2018

7. Loans Payable (continued)

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.

8. Commitments and Contingencies

Commitments

Solar One entered into non-cancelable lease agreements for office space that expire on March 31, 2020 and December 31, 2020. Rent expense under the agreements was \$207,946 and \$203,701 for the years ended December 31, 2018 and 2017. The minimum annual future rental payments under these agreements are as follows:

2019	\$ 123,452
2020	<u>105,946</u>
	<u>\$ 229,398</u>

Contingencies

The NYC EDC 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 and assigned the lease to another non-profit organization at the execution of the lease. The non-profit organization assigned the lease to Solar One in 2004. The agreement, which expires in October of 2032 has the option to extend this lease for two additional five year periods expiring in 2042. The lease is contingent upon the construction of S1EEC.

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.

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

Notes to Financial Statements
December 31, 2018

9. Liquidity and Availability of Financial Assets

Solar One's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows:

Financial assets:	
Cash and cash equivalents	\$ 669,293
Government contracts receivable	532,061
Service fees receivable	59,777
Contributions receivable	<u>5,000</u>
Total Financial Assets	<u>1,266,131</u>
Less: Contractual or donor imposed restrictions amounts	
Restricted by donor with purpose restrictions	<u>898,921</u>
	<u>898,921</u>
Financial Assets Available to Meet General Expenditures	
Over the Next Twelve Months	<u>\$ 367,210</u>

As part of Solar One's liquidity management strategy, Solar One structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Solar One's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of service fees and contributions from donors. A majority of general expenditures over the next twelve months are financed through cash and receivables. In the event of financial distress or an immediate liquidity need resulting from events outside the typical lifecycle of converting financial assets to cash or settling financial liabilities, Solar One established a \$325,000 program-related investment loan to provide working capital for its operation.

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