

Sustainable Westchester, Inc.

Financial Statements

December 31, 2023 and 2022

Independent Auditors' Report

Board of Directors
Sustainable Westchester, Inc.

Opinion

We have audited the accompanying financial statements of Sustainable Westchester, Inc., which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sustainable Westchester, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sustainable Westchester, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sustainable Westchester, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sustainable Westchester, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sustainable Westchester, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

PKF O'Connor Davies, LLP

Harrison, New York
May 31, 2024

Sustainable Westchester, Inc.

Statements of Financial Position

	December 31	
	2023	2022
ASSETS		
Cash	\$ 461,359	\$ 423,297
Accounts receivable	362,523	474,456
Prepaid expenses and deposits	9,382	26,665
Property and equipment, net	13,192	2,111
	<u>\$ 846,456</u>	<u>\$ 926,529</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 183,041	\$ 175,264
Deferred revenue	75,459	76,197
Accrued salaries and related benefits	51,386	24,320
Total Liabilities	309,886	275,781
Net Assets		
Without donor restrictions	536,570	650,748
	<u>\$ 846,456</u>	<u>\$ 926,529</u>

See notes to financial statements

Sustainable Westchester, Inc.

Statements of Activities

	Year Ended December 31	
	2023	2022
OPERATING REVENUE		
Program revenue	\$ 1,811,167	\$ 1,719,380
Membership revenue	45,000	45,000
Other income	1,762	3,215
Interest income	745	498
Total Operating Revenue	<u>1,858,674</u>	<u>1,768,093</u>
OPERATING EXPENSES		
Program services	1,565,860	1,627,568
General and administrative	<u>406,992</u>	<u>390,647</u>
Total Operating Expenses	<u>1,972,852</u>	<u>2,018,215</u>
Change in Net Assets	(114,178)	(250,122)
NET ASSETS		
Beginning of year	<u>650,748</u>	<u>900,870</u>
End of year	<u>\$ 536,570</u>	<u>\$ 650,748</u>

See notes to financial statements

Sustainable Westchester, Inc.

Statement of Functional Expenses
Year Ended December 31, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
PERSONNEL COSTS			
Salaries and benefits	\$ 1,012,578	\$ 253,145	\$ 1,265,723
Payroll taxes and fringe benefits	<u>162,259</u>	<u>40,565</u>	<u>202,824</u>
Total Personnel Costs	1,174,837	293,710	1,468,547
OTHER THAN PERSONNEL COSTS			
Professional fees	75,912	18,978	94,890
Outreach and program	94,819	-	94,819
Accounting	75,600	18,900	94,500
Information and technology	58,581	14,645	73,226
Occupancy	-	36,000	36,000
Advertising and promotion	26,168	6,542	32,710
Office expenses	22,116	5,529	27,645
Other	10,009	2,502	12,511
Travel and meetings	9,899	-	9,899
Insurance	-	6,643	6,643
Conferences, conventions and meetings	6,049	-	6,049
Legal	8,601	2,150	10,751
Depreciation	3,269	817	4,086
Bank fees	<u>-</u>	<u>576</u>	<u>576</u>
	<u>\$ 1,565,860</u>	<u>\$ 406,992</u>	<u>\$ 1,972,852</u>

Sustainable Westchester, Inc.

Statement of Functional Expenses
Year Ended December 31, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
PERSONNEL COSTS			
Salaries and benefits	\$ 927,974	\$ 231,993	\$ 1,159,967
Payroll taxes and fringe benefits	<u>159,499</u>	<u>39,875</u>	<u>199,374</u>
Total Personnel Costs	1,087,473	271,868	1,359,341
OTHER THAN PERSONNEL COSTS			
Outreach and program	233,442	-	233,442
Accounting	77,280	19,320	96,600
Office expenses	51,264	12,816	64,080
Advertising and promotion	42,886	10,721	53,607
Information and technology	40,502	10,126	50,628
Professional fees	37,410	9,353	46,763
Occupancy	-	36,000	36,000
Legal	27,311	6,828	34,139
Depreciation	17,080	4,270	21,350
Other	5,634	1,409	7,043
Insurance	-	6,399	6,399
Travel and meetings	4,967	-	4,967
Conferences, conventions and meetings	2,319	-	2,319
Bad debt expense	-	1,000	1,000
Bank fees	<u>-</u>	<u>537</u>	<u>537</u>
	<u>\$ 1,627,568</u>	<u>\$ 390,647</u>	<u>\$ 2,018,215</u>

See notes to financial statements

Sustainable Westchester, Inc.

Statements of Cash Flows

	Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (114,178)	\$ (250,122)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	4,086	21,350
Bad debt expense	-	1,000
Changes in operating assets and liabilities		
Accounts receivable	111,933	123,291
Prepaid expenses and deposits	17,283	806
Accounts payable and accrued expenses	7,777	(85,528)
Deferred revenue	(738)	60,770
Accrued salaries and related benefits	27,066	(27,162)
Net Cash from Operating Activities	53,229	(155,595)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(15,167)	-
Net Change in Cash	38,062	(155,595)
CASH		
Beginning of year	423,297	578,892
End of year	<u>\$ 461,359</u>	<u>\$ 423,297</u>

See notes to financial statements

Sustainable Westchester, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

1. Organization and Tax Status

Sustainable Westchester, Inc. (the “Organization”) is a not-for-profit membership organization of local municipal governments that empowers municipal leaders, engaged citizens, businesses and organizations to become more sustainable through the use of renewable energy and other best practices. The Organization has 45 dues-paying municipal members, including the County government itself, with extensive programming related to clean energy, waste reduction, decarbonization, green workforce development and efficiency.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as an organization that is not a private foundation as defined under Section 509(a)(1) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which 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 revenue and expense during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

Financial Instruments—Credit Losses

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*. The new standard removes the previous requirement that a credit loss be probable of occurring for it to be recognized and requires entities to use historical experience, current conditions and reasonable and supportable forecasts to estimate their future expected credit losses. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to net assets, if any, upon adoption. The Organization adopted ASU 2016-13 effective January 1, 2023. The adoption did not have an impact on the Organization’s financial statements.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and management for general operating purposes.

Sustainable Westchester, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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

Net Assets (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor imposed, time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

From time to time, the Organization may receive gifts of net assets with donor restrictions that contain a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy. The Organization does not have net assets with donor restrictions at December 31, 2023 and 2022.

Accounts Receivable and Allowance for Uncollectible Receivables

Accounts receivable consists primarily of membership dues and commissions from electricity usage per agreements with power authorities. Revenue based upon electricity usage is recognized monthly. An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At December 31, 2023 and 2022, management has concluded that an allowance is not required. Contract assets at January 1, 2022 were \$598,747.

Grant Revenue

Grant revenue is conditional upon the incurrence of allowable expenditures and is recognized as the expenditures are incurred. Amounts received prior to the incurrence of expenditures are recorded as deferred revenue. Amounts expended prior to receipt are recorded as a receivable.

Advertising

The Organization expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2023 and 2022 were \$32,710 and \$53,607.

Sustainable Westchester, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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

Property and Equipment

Items in excess of \$500 are capitalized as property and equipment and are stated at cost. Maintenance and repairs of a routine nature are charged to expense while those that extend the life of existing properties are capitalized. Property and equipment are depreciated and amortized over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the shorter of the lease term or useful life. The estimated lives by asset class are as follows:

Furnitures and fixtures	3 years
Leasehold improvements	3 years
Software	3 years

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Expenses that can be identified to a specific program or general and administrative service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated among the program and supporting services benefited based on management's estimates and include accounting, professional fees, advertising and promotion, office expenses and information and technology. These expenses are allocated based on an assessment of where employees' time is spent.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is subject to examinations by applicable taxing jurisdictions for all years since 2020.

Revenue Recognition

The Organization applies the revenue recognition standards of ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09").

ASU 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of ASU 2014-09.

Sustainable Westchester, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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

Revenue Recognition (continued)

The core principle of ASU 2014-09 is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. ASU 2014-09 includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. This guidance also requires new or expanded disclosures related to judgments made by entities when following this framework; however, as all revenue is collected within one year or less and there is no significant financing component related to contracts, the Organization elected not to adjust the promised amount of consideration for the effect of any financing component, as permitted by the new framework.

The Organization has several revenue sources among which are the following: program revenue and membership revenue, interest income and other income. The Organization has concluded that program revenue and membership revenue contracts are subject to ASU 2014-09 and include a single performance obligation that is satisfied either at a point in time or over time. When revenue is earned over a period that spans the year end it is recognized in the applicable period in which it is earned. Program and membership revenue are recognized over the term of the program as services are provided and are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing those services.

ASU 2014-09 requires the Organization to not recognize revenue until it is probable of collection. The Organization concluded that all revenue recognized is probable of collection due to the nature of the funding sources and the Organization's strong collection experience with regard to those funding sources.

Grants

The Organization applies the revenue standards of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). In accordance with those standards, the Organization evaluates whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Exchange transactions are scoped out of ASU 2018-08. Nonexchange transactions are further evaluated for the existence of donor stipulations, barriers and any conditions that may impact the recognition of revenue.

The Organization receives certain funding for its programs in the form of operational grants, which usually run for a period of one year or longer. The Organization is required to determine whether transactions are conditional or unconditional. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions are accounted for as a liability or are not recognized as revenue initially and are disclosed in the notes to the financial statements.

Sustainable Westchester, Inc.

Notes to Financial Statements
December 31, 2023 and 2022

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

Grants (continued)

Once the barriers to entitlement are overcome, the transaction is recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions. For a donor-imposed condition to exist, a right of return or release must be stated, and the agreement must include a performance-related condition or other measurable barrier.

Deferred Revenue

Deferred revenue represents conditional grant revenue received by the Organization during December 2022. The Organization received a conditional grant in the amount of \$50,000, which must be matched 1:1 by unrestricted funds generated through fundraising. At December 31, 2023, these funds have not been raised in full. The \$50,000 conditional grant is included within deferred revenue on the accompanying statements of financial position. Deferred revenue at January 1, 2022 was \$15,427.

Subsequent Events

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 is May 31, 2024.

3. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and accounts receivable. The Organization places its cash with various financial institutions and limits the amount of credit exposure by any one financial institution. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. At December 31, 2023, the uninsured cash balance was approximately \$3,000. At December 31, 2022, there was no uninsured cash balance. Accounts receivable are expected to be collected in the normal course of operations.

4. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Furnitures and fixtures	\$ 44,554	\$ 29,387
Leasehold improvements	23,042	23,042
Software	<u>20,100</u>	<u>20,100</u>
	87,696	72,529
Accumulated depreciation	<u>(74,504)</u>	<u>(70,418)</u>
	<u>\$ 13,192</u>	<u>\$ 2,111</u>

Sustainable Westchester, Inc.

Notes to Financial Statements December 31, 2023 and 2022

5. Liquidity and Availability of Financial Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows at December 31:

	2023	2022
Cash	\$ 461,359	\$ 423,297
Accounts receivable	<u>362,523</u>	<u>474,456</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 823,882</u>	<u>\$ 897,753</u>

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's largest source of support is the Westchester Power program. Other sources of revenue include government and foundation grants associated with specific programs, services, and initiatives, as well as membership fees.

6. Related Party Transactions

The Organization incurred legal expenses totaling \$10,751 and \$34,139 during the years ended December 31, 2023 and 2022, where a partner of the law firm is a member of the Board of Directors.

At December 31, 2022, approximately \$31,000 was owed to the former Executive Director's company, Abundant Efficiency, for work performed pursuant to a consulting agreement prior to the Executive Director becoming an employee of the Organization. During 2022, approximately \$60,000 was paid to Abundant Efficiency. During 2023 the remaining \$31,000 balance was paid in full.

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