

North Carolina Sustainable Energy Association

Report on Audit of Financial Statements

for the years ended June 30, 2022 and 2021

MPCoCompany LLP

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Independent Auditors' Report

Board of Directors
North Carolina Sustainable Energy Association

Opinion

We have audited the financial statements of North Carolina Sustainable Energy Association, which comprise the statements of financial position as of June 30, 2022 and 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of North Carolina Sustainable Energy Association as of June 30, 2022 and 2021, 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 (GAAS). 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 North Carolina Sustainable Energy Association 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 North Carolina Sustainable Energy Association's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 North Carolina Sustainable Energy Association'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 North Carolina Sustainable Energy Association'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.

MPC Company LLP

October 18, 2022

North Carolina Sustainable Energy Association
 Statements of Financial Position
 June 30, 2022 and 2021

	<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:			
Cash and cash equivalents		\$ 1,810,968	\$ 1,763,818
Certificates of deposit		11,982	11,929
Accounts receivable		37,209	6,089
Grants receivable		362,740	480,000
Sales tax receivable		2,155	1,698
Prepaid expenses		<u>26,710</u>	<u>12,517</u>
Total current assets		<u>2,251,764</u>	<u>2,276,051</u>
Property and equipment:			
Office equipment		86,324	84,378
Office furniture		107,047	107,047
Leasehold improvements		49,515	49,515
Software		<u>16,138</u>	<u>16,138</u>
		259,024	257,078
Less: accumulated depreciation and amortization		<u>(218,044)</u>	<u>(202,232)</u>
Total property and equipment, net		<u>40,980</u>	<u>54,846</u>
Noncurrent portion of grants receivable, net		<u>140,000</u>	<u>-</u>
Other assets			
Membership list, net		22,500	25,000
Intangible property rights, net		9,000	10,000
Goodwill, net		<u>4,500</u>	<u>5,000</u>
Total other assets		<u>36,000</u>	<u>40,000</u>
Total assets		<u>\$ 2,468,744</u>	<u>\$ 2,370,897</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable		\$ 95,391	\$ 66,152
Accrued vacation		47,512	64,473
Payroll taxes payable		30,910	22,466
Deferred member dues		69,463	71,600
Unearned grants		<u>15,549</u>	<u>-</u>
Total current liabilities		<u>258,825</u>	<u>224,691</u>
Noncurrent liability - deferred lease liability		<u>35,740</u>	<u>37,772</u>
Total liabilities		<u>294,565</u>	<u>262,463</u>
Net assets:			
Without donor restrictions		1,770,093	1,716,795
With donor restrictions		<u>404,086</u>	<u>391,639</u>
Total net assets		<u>2,174,179</u>	<u>2,108,434</u>
Total liabilities and net assets		<u>\$ 2,468,744</u>	<u>\$ 2,370,897</u>

The accompanying notes are an integral
 part of the financial statements.

North Carolina Sustainable Energy Association
Statements of Activities and Changes in Net Assets
for the years ended June 30, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 1,522,469	\$ -	\$ 1,522,469
Grants	103,584	472,500	576,084
Indirect public support	564,269	-	564,269
Membership dues	111,870	-	111,870
Sponsorship	18,100	-	18,100
Program service fees	39,687	-	39,687
Paycheck Protection Program	-	-	-
Interest income	2,407	-	2,407
Miscellaneous	5,955	-	5,955
Total revenues and other support	2,368,341	472,500	2,840,841
Net assets released from restrictions	460,053	(460,053)	-
Expenses and losses:			
Expenses:			
Program services	2,292,062	-	2,292,062
Supporting services:			
Management and general	392,542	-	392,542
Fundraising	90,280	-	90,280
Total expenses	2,774,884	-	2,774,884
Loss on disposal of assets	212	-	212
Total expenses and losses	2,775,096	-	2,775,096
Changes in net assets	53,298	12,447	65,745
Net assets at beginning of year	1,716,795	391,639	2,108,434
Net assets at end of year	\$ 1,770,093	\$ 404,086	\$ 2,174,179

The accompanying notes are an integral
part of the financial statements.

2021

Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,672,042	\$ -	\$ 1,672,042
211,373	440,000	651,373
372,863	-	372,863
114,566	-	114,566
15,000	-	15,000
64,050	-	64,050
250,000	-	250,000
1,616	-	1,616
510	-	510
<u>2,702,020</u>	<u>440,000</u>	<u>3,142,020</u>
<u>314,392</u>	<u>(314,392)</u>	<u>-</u>
1,990,223	-	1,990,223
341,723	-	341,723
<u>90,330</u>	<u>-</u>	<u>90,330</u>
2,422,276	-	2,422,276
<u>-</u>	<u>-</u>	<u>-</u>
<u>2,422,276</u>	<u>-</u>	<u>2,422,276</u>
594,136	125,608	719,744
<u>1,122,659</u>	<u>266,031</u>	<u>1,388,690</u>
\$ <u>1,716,795</u>	\$ <u>391,639</u>	\$ <u>2,108,434</u>

North Carolina Sustainable Energy Association
 Statements of Functional Expenses
 for the years ended June 30, 2022 and 2021

	2022			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Wages and payroll taxes	\$ 1,439,192	\$ 251,526	\$ 74,581	\$ 1,765,299
Employee benefits	78,128	9,191	4,596	91,915
Contract services	483,891	56,201	5	540,097
Operations	207,542	36,323	10,875	254,740
Conferences, meetings, events	25,817	-	-	25,817
Depreciation and amortization	-	27,206	-	27,206
Travel	19,806	3,265	8	23,079
Association expenses	7,303	1,012	-	8,315
Professional development	23,760	256	-	24,016
Insurance	2,869	6,585	-	9,454
Bank charges	3,654	328	215	4,197
Miscellaneous expenses	100	649	-	749
Total	\$ 2,292,062	\$ 392,542	\$ 90,280	\$ 2,774,884

The accompanying notes are an integral
 part of the financial statements.

2021

<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
\$ 1,261,432	\$ 212,457	\$ 73,747	\$ 1,547,636
90,005	5,585	5,294	100,884
408,692	56,982	180	465,854
204,075	32,974	10,521	247,570
420	-	-	420
-	25,133	-	25,133
936	-	-	936
8,905	1,681	335	10,921
8,988	-	-	8,988
2,469	5,889	-	8,358
-	520	-	520
<u>4,301</u>	<u>502</u>	<u>253</u>	<u>5,056</u>
\$ <u>1,990,223</u>	\$ <u>341,723</u>	\$ <u>90,330</u>	\$ <u>2,422,276</u>

North Carolina Sustainable Energy Association
Statements of Cash Flows
for the years ended June 30, 2022 and 2021

	2022	2021
Operating activities:		
Changes in net assets	\$ 65,745	\$ 719,744
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	23,206	25,133
Goodwill and intangible amortization expense	4,000	-
Change in discount on grants receivable	416	(1,373)
Loss on disposal of property and equipment	212	-
Paycheck Protection Program loan forgiveness	-	(250,000)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(31,120)	49,105
Grants receivable	(23,156)	(320,000)
Sales tax receivable	(457)	1,497
Prepaid expenses	(14,193)	(4,239)
Increase (decrease) in liabilities:		
Accounts payable	29,239	12,824
Accrued vacation	(16,961)	(5,004)
Payroll taxes payable	8,444	4,953
Deferred member dues	(2,137)	8,942
Unearned grants	15,549	-
Deferred lease liability	(2,032)	22,880
Net cash provided by operating activities	56,755	264,462
Investing activities:		
Acquisition of intangible assets	-	(40,000)
Purchases of certificates of deposits, net	(53)	(92)
Capital expenditures for property and equipment	(9,552)	(21,748)
Net cash used in investing activities	(9,605)	(61,840)
Financing activities:		
Proceeds from the Paycheck Protection Program	-	250,000
Net increase in cash and cash equivalents	47,150	452,622
Cash and cash equivalents, beginning of year	1,763,818	1,311,196
Cash and cash equivalents, end of year	\$ 1,810,968	\$ 1,763,818

The accompanying notes are an integral part of the financial statements.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

North Carolina Sustainable Energy Association (NCSEA) is the leading non-profit organization dedicated to driving public policy and market development that creates clean energy jobs, economic opportunities and affordable energy to benefit all of North Carolina. NCSEA was incorporated in 1978 and is located in Raleigh, North Carolina and is active throughout the state.

NCSEA works to transform the North Carolina and Southeast energy system through leading edge proof of concept work and deep policy advocacy, with a primary focus on constructive promotion of ten clean energy technology sectors: alternative fuel vehicles (primarily electric vehicles), biogas, energy efficiency, energy storage, fuel cells, geothermal, hydropower/marine, smart grid, solar, and wind. NCSEA is active and leading in many areas, including regulatory modernization and rate design, utility and industry business model transformation, de-politicizing clean energy issues and driving bipartisan policy dialogue on energy interests, demonstrating approaches that improve energy equity, increasing deployment of utility scale renewables and distributed energy resources and grid infrastructure solutions, and bringing expanded base of stakeholders together to align on clean energy vision, outcomes, and pathways to success.

Together with NCSEA members and partners, we engage stakeholders on the premise that there is greater value to be realized by all when we dialogue on shared definition of our complex energy challenges, and then rolling up our sleeves with utilities, industry, consumers and government to develop and implement solutions - in both proof and policy - to resolve our complex energy challenges.

We measure NCSEA's aggregate impact through:

- More affordable consumer bills
- Job growth
- Amount of clean energy capacity deployed in the market by industry, consumers, and utilities
- Amount of energy demand reduced and energy costs avoided
- Increased bipartisan support for incrementally transforming the energy system
- Declining pollution from and waste throughout our energy systems and markets
- Improved energy equity
- Improved quality of life and business climate
- Expanded economic development opportunities and local tax base expansion
- Growing NC and southeast market exports of clean energy products and services

Over time, NCSEA continues to improve the lives and standards of living for all North Carolinians by enabling systemic transformation of energy policy, markets and systems, gradually making all energy sources and services clean, affordable, resilient, and secure. NCSEA's strategy of gradualism achieves mutually beneficial policy and market changes that advance this vision and - because of growing and shared benefit - are more likely to be built upon than reversed. We also look to help similarly situated states learn from and use the tools, solutions and collaborative strategies we have developed in North Carolina, and invite those with new ideas to try them with and through NCSEA.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and in accordance with the principles contained in the audit and accounting guide, *Not-for-Profit Entities*, published by the American Institute of Certified Public Accounts.

Cash and Cash Equivalents

For purposes of the statements of cash flows, NCSEA considers all investments with original maturity of 90 days or less to be cash equivalents. At June 30, 2022 and 2021, there were cash deposits of \$126,526 and \$115,893, respectively, in excess of amounts insured by the Federal Deposit Insurance Corporation.

Receivables

All receivables are stated at the amount management expects to collect from outstanding balances. Based on experience, management believes that they are fully collectible. Therefore, no allowance for doubtful accounts has been recorded. In the event that an outstanding balance could not be collected, it would be written down with a charge against bad debt expense and a credit to the receivables balance. Past due status is determined based on contractual terms.

Receivables that are expected to be collected within one year are recorded at net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using interest rates applicable to the years in which the contributions are unconditionally committed.

Property and Equipment

Property and equipment consists of office furniture and equipment, leasehold improvements and software. NCSEA capitalizes all capital expenditures in excess of \$1,000 and with a useful life of more than one year. Capital expenditures in accordance with grants are charged directly to the grant and recorded as grant expenditures in the year of acquisition. Donated leasehold improvements and equipment are stated at cost or estimated fair value at the date of donation. Depreciation and amortization are provided over the estimated useful lives of the respective assets using the straight-line method.

The estimated useful lives range as follows:

<u>Description</u>	<u>Useful Life</u>
Office equipment	5 to 10 years
Office furniture	7 to 10 years
Leasehold improvements	5 years
Software	3 years

Depreciation and amortization expense was \$23,206 and \$25,133 for the years ended June 30, 2022 and 2021, respectively.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Membership List, Intangible Property Rights, and Goodwill

The membership list represents the cost of acquiring a membership base in an asset acquisition in June 2021. Intangible property rights represents the cost of acquiring logos, trademarks and trade names in an asset acquisition in June 2021. Goodwill represents the excess of the cost of assets acquired over the fair value of their net assets at the date of acquisition. The Association follows *FASB ASC Topic 350, Intangibles—Goodwill and Other Intangibles*, which allows for the amortization of goodwill and other intangible assets. Amortization of membership list, intangible property rights, and goodwill is calculated using the straight-line method over ten years, the estimated useful life of the assets. In addition, the Association reviews for impairment when a triggering event occurs that indicates the fair value of the entity level may be below its goodwill existing at the beginning of financial reporting period.

NCSEA has adopted Accounting Standards Update (ASU) No. 2017-04 – *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* to reduce the cost and complexity of the goodwill impairment test. Amortization expense for the years ended June 30, 2022 and 2021 was \$4,000 and \$0, respectively.

Accrued Vacation

Each employee is awarded 160 hours of paid time off at the beginning of the calendar year. They can carry over up to 80 hours to the next calendar year. Employees who are terminated receive a severance package that includes compensation for any unused paid time off hours. As of June 30, 2022 and 2021, the estimated liability of unused paid time off is \$47,512 and \$64,473.

Net Assets

Net assets, revenues, and other support are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

Revenues from member dues are recognized in the year for which the dues are earned. Dues received prior to year-end for the upcoming dues year are reported as deferred member dues.

Revenues on cost reimbursement grants are recognized when the direct costs are incurred. Payments received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contribution revenue is recognized when an unconditional promise to give is received. The Association recognizes conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - when the conditions stipulated by the donor are substantially met.

Restricted Revenues Policy

Restricted grants and contributions are reported as without donor restriction support if the restrictions are met in the same reporting period that the grant or contribution is received. NCSEA has a similar policy for reporting donor-restricted investment income and gains.

Donated Services

No amounts have been reflected in the financial statements for donated services. NCSEA pays for most services requiring specialized expertise. However, individuals volunteer their time and perform a variety of tasks that further the activities of NCSEA through specific assistance with programs, general operations, and various committee assignments.

Retirement Plan

NCSEA sponsors a 403(b) plan under which eligible employees may choose to contribute up to the maximum allowable amount under the Internal Revenue Code. NCSEA may elect to make a discretionary contribution to the plan. For the years ended June 30, 2022 and 2021, the discretionary contribution was \$14,325 and \$12,425, respectively.

Income Taxes

NCSEA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from North Carolina income taxes, accordingly, no income taxes have been provided in the accompanying financial statements.

Use of Estimates

The preparation of 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 amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

For the year-ended June 30, 2022, the Association evaluated subsequent events for potential recognition and disclosure through October 18, 2022, the date of financial statement issuance.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,810,968	\$ 1,763,818
Certificates of deposit	11,982	11,929
Accounts receivable	37,209	6,089
Grants receivable	502,740	480,000
Sales tax receivable	<u>2,155</u>	<u>1,698</u>
Total financial assets	2,365,054	2,263,534
Less amounts not available for general expenditures within one year:		
Restricted by time	(140,000)	(40,000)
Restricted for clean energy program	(264,086)	(321,639)
Restricted for NCSEA PAYS and Innovative Energy Solutions Initiative	<u>-</u>	<u>(30,000)</u>
Total financial assets available to meet general expenditures within one year	\$ <u>1,960,968</u>	\$ <u>1,871,895</u>

The Association is substantially supported by program revenues. As part of the NCSEA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. NCSEA is also supported by restricted contributions. Because a donor or grantor's restriction requires resources to be used in a particular manner or in a future period, NCSEA must maintain sufficient resources to meet those responsibilities to its donor or grantor. Thus, financial assets may not be available for general expenditures within one year.

3. GRANTS RECEIVABLE

Grants receivable are estimated to be collected as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 363,156	\$ 480,000
In one to five years	<u>140,000</u>	<u>-</u>
	503,156	480,000
Less discount to net present value at 0.3%	<u>416</u>	<u>-</u>
	\$ <u>502,740</u>	\$ <u>480,000</u>

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2022 and 2021

4. ASSET PURCHASE AGREEMENT

In June 2021, to increase awareness of clean energy and create synergies, the Association entered into a purchase agreement with a nonprofit organization. The total cost of assets purchased was \$40,000. The assets purchased included, member information and contact lists (\$25,000), intangible property rights (\$10,000), and goodwill (\$5,000).

5. OPERATING LEASES

NCSEA has a non-cancelable lease arrangement for its office facility. The arrangement contains a rent escalation clause and covers the period through April 30, 2020 with an option to renew for five additional years at current market rental rates. This option was exercised in November 2019 and covers the period through April 30, 2025. NCSEA also has a long term non-cancelable operating lease for office equipment requiring monthly payments of \$342 and expiring in 2027.

FASB ASC 840, *Leases*, requires that rental expense be recognized on a straight-line basis. As such, rental expense in excess of rental payments of \$3,305 and rental payments in excess of rental expense of \$1,373 have been reflected in the accompanying statements of activities for the years ended June 30, 2022 and 2021, respectively. Deferred rent is \$35,740 and \$37,772, respectively, at June 30, 2022 and 2021.

Future minimum lease payments under these non-cancelable lease agreements at June 30, 2022 are as follows:

2023	\$ 192,825
2024	198,487
2025	170,119
2026	4,104
2027	<u>3,078</u>
Total	\$ <u>568,613</u>

Rental expense under these leases was \$183,125 and \$180,736 for the years ended June 30, 2022 and 2021, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets are available as follows at June 30:

	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Clean energy	\$ 264,086	\$ 321,639
NCSEA PAYS and Innovative Energy Solutions Initiative	-	30,000
Time restrictions:		
Contributions	<u>140,000</u>	<u>40,000</u>
	\$ <u>404,086</u>	\$ <u>391,639</u>

North Carolina Sustainable Energy Association
Notes to Financial Statements
June 30, 2022 and 2021

7. PAYCHECK PROTECTION PROGRAM

On February 10, 2021, NCSEA received loan proceeds in the amount of \$250,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

The Association concluded that all requirements for forgiveness were met as of June 30, 2021 and, therefore, recognized a contribution from the Payroll Protection Program for the full amount received of \$250,000. This loan was fully forgiven as of June 30, 2022.

8. CONCENTRATIONS

NCSEA received approximately 81% and 83% of its support from three organizations for the years ended June 30, 2022 and 2021, respectively. If a significant reduction in the level of this support were to occur, the result may have a significant effect on NCSEA’s programs and activities.

Approximately 88% and 84% of the Association’s receivables were due from three and one contributing organizations at June 30, 2022 and 2021, respectively.

Approximately 41% and 92% of the Association’s payables were due to three and five vendors at June 30, 2022 and 2021, respectively.

9. CONDITIONAL GRANTS

During the year ended June 30, 2022, the Association was awarded conditional grants totaling \$300,000. During 2022 the Association recorded grant revenue of \$25,107 as conditions were met. The remainder of the grants, \$274,893, are due upon meeting certain conditions. As these conditions have not been met as of June 30, 2022, they have not been recorded as grant revenue in 2022. The Association did not have any conditional grants outstanding as of June 30, 2021.

10. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.