



# **NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

## **Financial Statements**

*For the Year Ended December 31, 2008*

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**and**  
**Report Thereon**  
—◆—

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
National Energy Education Development Project, Inc.

CONSULTING  
ACCOUNTING  
TECHNOLOGY

*Certified Public  
Accountants*

We have audited the accompanying statement of financial position of the National Energy Education Development Project, Inc. (NEED) as of December 31, 2008 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of NEED's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NEED's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NEED as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental statement of functional expenses for the years ended December 31, 2008 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information for the year ended December 31, 2008 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.



RAFFA, P.C.

Washington, D.C.  
June 1, 2009

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2008

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ASSETS

Cash and cash equivalents	\$ 752,479
Certificate of deposits	170,000
Grants and contributions receivable	1,151,330
Inventory	332,596
Property and equipment, net	15,392
Deposits	2,177

TOTAL ASSETS \$ 2,423,974

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 427,910
Refundable advance	75,000
Deferred rent	12,514

TOTAL LIABILITIES 515,424

Net Assets

Unrestricted	771,600
Temporarily restricted	1,136,950

TOTAL NET ASSETS 1,908,550

TOTAL LIABILITIES AND NET ASSETS \$ 2,423,974

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

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 3,716,509	\$ 1,124,450	\$ 4,840,959
Curriculum and kits sales	322,398	-	322,398
Conferences and youth awards	309,622	-	309,622
In-kind contributions	92,500	-	92,500
Interest income	14,995	-	14,995
Other income	13,741	-	13,741
Net assets released from restrictions:			
Satisfaction of purpose restrictions	674,480	(674,480)	-
Satisfaction of time restrictions	881,700	(881,700)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>6,025,945</u>	<u>(431,730)</u>	<u>5,594,215</u>
<b>EXPENSES</b>			
Program Services			
Workshops and conferences	2,182,917	-	2,182,917
Kits and materials	1,467,572	-	1,467,572
Training conferences	340,559	-	340,559
Youth awards program	334,522	-	334,522
Curriculum development	279,683	-	279,683
Program administration	265,489	-	265,489
Program development	202,864	-	202,864
<b>Total Program Services</b>	<u>5,073,606</u>	<u>-</u>	<u>5,073,606</u>
Supporting Service			
General and administrative	345,097	-	345,097
<b>TOTAL EXPENSES</b>	<u>5,418,703</u>	<u>-</u>	<u>5,418,703</u>
<b>CHANGE IN NET ASSETS</b>	607,242	(431,730)	175,512
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>164,358</u>	<u>1,568,680</u>	<u>1,733,038</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 771,600</u>	<u>\$ 1,136,950</u>	<u>\$ 1,908,550</u>

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

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2008**

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CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 175,512
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	10,606
Increase (decrease) in assets and liabilities	
Grants and contributions receivable	173,780
Inventory	(9,255)
Accounts payable and accrued expenses	251,267
Refundable advance	75,000
	<u>676,910</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	
	<u>676,910</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in certificate of deposits	<u>(170,000)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(170,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>506,910</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>245,569</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 752,479</u>
SUPPLEMENTAL CASH FLOW INFORMATION	
Actual interest paid	<u>\$ 760</u>

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

# **NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2008**

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### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

The National Energy Education Development Project, Inc. (NEED) was incorporated on November 20, 1991 under the laws of Commonwealth of Virginia. NEED develops and provides comprehensive training and curriculum on energy resources to teachers and students nationwide. NEED also conducts a national awards program annually to recognize excellence in energy programming. These activities are funded primarily through grants and contributions from major energy related corporations and associations, federal and state governments, local sponsors and school districts throughout the United States.

#### **Basis of Accounting and Presentation**

The accompanying financial statements of NEED have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The presentation of the accompanying financial statements is in accordance with the Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, NEED is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2008, NEED had no permanently restricted net assets.

#### **Cash and cash equivalents**

Cash and cash equivalents include money market funds and highly liquid investments with initial maturities of three months or less.

#### **Certificates of deposits**

Certificate of deposits with initial maturities of more than three months are not considered as cash equivalents. These are recorded in the financial statements at fair market value.

#### **Grants and contributions**

NEED uses the allowance method to record potentially uncollectible grants and contributions receivable. The allowance is based on management's analysis of specific accounts and promises to give. A provision for doubtful accounts is made when collection of the full amount is no longer probable.

#### **Inventory**

Inventory, which consists of printed material and educational kits, is valued at the lower of cost or market using the average cost method.

# **NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2008**

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Property and Equipment and Related Depreciation and Amortization**

Property and equipment are recorded at cost. Depreciation on computers, furniture and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 7 years. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation and any gain or loss is reflected in income or expense in the accompanying statement of activities. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

#### **Classification of Net Assets**

The net assets of NEED are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of NEED's operations.
- Temporarily restricted amounts are specifically restricted by donors for various purposes or time periods.

#### **Revenue Recognition**

Revenue and the related costs of the conference and youth awards are recognized in the year in which the conference or youth award are held.

Curriculum and kits sales are recorded as revenue when the related materials are shipped.

Grants and contributions are reported as revenue in the year in which the payments are received and/or unconditional promises are made. NEED reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted grants and contributions whose restrictions are met in the same reporting period are reported as unrestricted.

Revenue from grants and contracts treated as exchange transactions is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on these grants and contracts for which billings have not been presented to or collected from the awarding agency is included in grants and contributions receivable in the accompanying statement of financial position. Grant awards received in advance but not yet expended are reflected as refundable advances in the accompanying statement of financial position.

# **NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

## **NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2008**

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Donated Goods and Services**

In accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, only the value of contributions that enhance a non-financial asset and contributed services that are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements.

In-kind contributions are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value as provided by the donor, at the date of receipt. In-kind contributions consist of contributed materials and facilities.

#### **Functional Expense Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of actual labor costs.

#### **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 certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

### 2. Grants and Contributions Receivable

Grants and contributions receivable represent unconditional promises to give and are recorded at the net realizable value. All receivables are expected to be received within one year and are deemed fully collectible. Total grants and contributions receivable at December 31, 2008 was \$1,151,330.

### 3. Certificate of Deposits

As of December 31, 2008, certificate of deposits has a fair market value of \$170,000. Interest earned for the year ended December 31, 2008 amounted to \$14,995.

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2008**

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4. Property and Equipment

Property and equipment consists of the following at December 31, 2008:

Computer equipment	\$ 79,694
Office furniture and equipment	<u>45,976</u>
Total property and equipment	125,670
Less: Accumulated depreciation and amortization	<u>(110,278)</u>
Property and equipment, net	<u>\$ 15,392</u>

During the year ended December 31, 2008, NEED recorded depreciation expense related to property and equipment of \$ 10,606.

5. Temporarily Restricted Net Assets

As of December 31, 2008, temporarily restricted net assets are restricted for the following:

Workshops and conferences	\$ 393,050
Kits and materials	369,600
Curriculum development	151,525
Program administration	111,550
Training conferences	53,000
Youth awards program	30,600
Program development	<u>27,625</u>
	<u>\$1,136,950</u>

6. Commitments

**Office Lease**

On January 7, 2001, NEED signed an operating lease agreement to lease office space in Manassas, Virginia. The lease is set to expire on April 30, 2011. On November 10, 2006, NEED entered into a non-cancelable operating lease for its second office and warehouse location in Roanoke, Virginia. This lease commenced on June 1, 2006, and is for a five year term. The terms of both leases provide for a 3% increase in future minimum rental payments. Rent expense for the year ended December 31, 2008 was \$69,807.

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2008**

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6. Commitments (continued)

Under accounting principles generally accepted in the United States of America, all fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

Future minimum lease payments required under these leases are as follows:

<u>Year Ending December 31,</u>	<u>Roanoke</u>	<u>Manassas</u>	<u>Total</u>
2009	\$ 43,483	\$ 32,772	\$ 76,255
2010	44,788	33,755	78,543
2011	<u>42,182</u>	<u>11,362</u>	<u>53,544</u>
Total	<u>\$130,453</u>	<u>\$ 77,889</u>	<u>\$ 208,342</u>

7. In-kind contributions

Contributed materials and facilities are reported in the accompanying statements of activities at the fair value of the materials and facilities received. NEED received \$92,500 of contributed workshop facilities and meals, exhibit fees and promotional materials during the year ended December 31, 2008.

8. Pension Plan

NEED maintains a Sec 403(b) pension benefit plan for its employees. NEED Matching Tax Sheltered Annuity Plan allows for a pre-tax employee contribution of the maximum amount currently permitted by law and a 100% employer match up to 6% of compensation. The plan provides for immediate vesting for employees. Pension expense for the year ended December 31, 2008 was \$31,888 and is included in personnel costs in the accompanying statement of functional expenses.

**NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2008**

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9. Line of credit

In December 2008, NEED entered into a revolving line of credit agreement with a bank. The line-of-credit has a borrowing limit of \$100,000 and is renewable annually. Funds drawn against this line of credit accrue interest at a variable rate based on a prime rate established from time to time by the bank plus 0.75% which was 4.75% at December 31, 2008 and are secured by certificate of deposits. As of December 31, 2008 and throughout the year then ended, NEED had no outstanding balance on this line of credit.

10. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, NEED is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required as of December 31, 2008 as NEED had no taxable net unrelated business income.

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN-48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. NEED has elected to defer the application of Interpretation 48 for the year ended December 31, 2008. NEED evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

**SUPPLEMENTAL INFORMATION**

**THE NATIONAL ENERGY EDUCATION DEVELOPMENT PROJECT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2008

	Program Services						Supporting Service		2008 Total	
	Workshops and Conferences	Kits and Materials	Training Conferences	Youth Awards Program	Curriculum Development	Program Administration	Program Development	Total Programs		General and Administrative
Conference and workshops	\$ 490,097	\$ 102	\$ 183,241	\$ 256,628	\$ 15,824	\$ 63,981	\$ 30,284	\$ 1,040,157	\$ 10,000	\$ 1,050,157
Personnel costs	309,284	69,838	49,885	9,977	182,084	169,608	69,838	860,514	139,677	1,000,191
Kit purchases	-	863,062	-	-	-	-	-	863,062	-	863,062
Travel	289,070	18	79,705	23,248	22,309	-	67,581	481,931	24,028	505,959
Professional services	239,879	7,962	5,687	1,137	20,473	19,336	7,962	302,436	15,924	318,360
Curriculum purchases	-	261,054	-	-	-	-	-	261,054	-	261,054
Postage and shipping	53,673	151,837	6,540	-	591	-	205	212,846	21,272	234,118
Scholarships, awards and grants	224,774	-	-	-	-	-	-	224,774	-	224,774
Change-a-light - light bulbs	180,133	-	-	-	-	-	-	180,133	-	180,133
Stipends	140,209	-	10,000	500	8,512	-	2,090	161,311	-	161,311
Substitute pay	154,114	-	-	-	1,967	-	267	156,348	-	156,348
Printing and copying	41,810	27,127	1,757	303	70	-	10,348	81,415	16,491	97,906
Computer equipment and office supplies	21,489	31,179	1,415	735	5,402	4,683	4,928	69,831	18,167	87,998
Rent	1,475	29,452	-	-	-	-	-	30,927	38,880	69,807
Youth awards	-	-	-	41,529	-	-	-	41,529	-	41,529
Telephone and communications	6,487	1,726	10	-	424	-	727	9,374	27,220	36,594
Program development	13,731	-	-	-	-	-	3,319	17,050	1,352	18,402
Temporary labor	-	15,349	-	-	938	-	-	16,287	460	16,747
Curriculum development	1,740	342	-	-	11,423	-	2,068	15,573	-	15,573
Office equipment rental	-	2,905	-	-	-	-	-	2,905	9,925	12,830
Repairs and maintenance	339	1,970	-	-	-	-	-	2,309	10,102	12,411
Depreciation and amortization	3,288	742	530	106	1,909	1,803	742	9,120	1,485	10,605
Board expense	3,267	738	527	105	1,897	1,792	738	9,064	1,475	10,539
Insurance	3,072	693	495	99	1,783	1,684	694	8,520	1,387	9,907
Bank service charges	2,835	640	458	92	1,646	1,554	640	7,865	1,280	9,145
Dues and subscriptions	1,914	432	309	63	1,111	1,048	433	5,310	864	6,174
Utilities	-	-	-	-	-	-	-	-	5,032	5,032
Newsletter design	-	-	-	-	1,320	-	-	1,320	-	1,320
Other expenses	237	404	-	-	-	-	-	641	-	641
Interest expense	-	-	-	-	-	-	-	-	76	76
	<u>\$ 2,182,917</u>	<u>\$ 1,467,572</u>	<u>\$ 340,559</u>	<u>\$ 334,522</u>	<u>\$ 279,683</u>	<u>\$ 265,489</u>	<u>\$ 202,864</u>	<u>\$ 5,073,606</u>	<u>\$ 345,097</u>	<u>\$ 5,418,703</u>

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