

NPower Inc. and Affiliate

Consolidated Financial Statements
and Supplementary Information

December 31, 2023 and 2022

NPower Inc. and Affiliate

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Independent Auditors' Report

To the Board of Directors of
NPower Inc. and Affiliate

Opinion

We have audited the consolidated financial statements of NPower Inc. and Affiliate (the Organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

We did not audit the financial statements of NPower Canada, a related entity, as disclosed in Note 1, which statements reflect total assets of \$5,006,676 and \$4,443,056 as of December 31, 2023 and 2022, respectively, and total revenues, gains and other support of \$13,796,808 and \$11,694,375 for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, in accordance with Canadian Auditing Standards as issued by the Canadian Auditing and Assurance Standards Board, and were prepared in accordance with Canadian accounting standards for not-for-profit organizations as issued by the Canadian Accounting Standards Board. We have applied audit procedures on the conversion adjustments to the financial statements of NPower Canada, which conform those financial statements to GAAP. Our opinion, insofar as it relates to the amounts included for NPower Canada, prior to these conversion adjustments, is based solely on the report of other auditors, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by the other auditors.

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 Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 21 to 22 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Uniondale, New York
May 22, 2024

NPower Inc. and Affiliate

Consolidated Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,467,465	\$ 13,059,317
Certificates of deposit	8,870,567	10,644,659
Contributions receivable, net	7,594,538	7,032,958
Accounts receivable, net	695,643	657,368
Prepaid expenses	545,095	496,025
	<u>21,173,308</u>	<u>31,890,327</u>
Total current assets	21,173,308	31,890,327
Contributions Receivable, Long-Term, Net	720,000	709,484
Security Deposits	122,402	125,748
Right-of-Use Assets, Operating Leases	3,630,110	4,000,450
Fixed Assets, Net	<u>1,492,207</u>	<u>1,766,508</u>
Total assets	<u>\$ 27,138,027</u>	<u>\$ 38,492,517</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 732,231	\$ 1,123,636
Accrued vacations payable	412,943	292,265
Accrued salaries, bonuses and related benefits	528,719	666,802
Current portion of operating lease liabilities	875,795	747,678
Deferred income	152,480	207,383
	<u>2,702,168</u>	<u>3,037,764</u>
Total current liabilities	2,702,168	3,037,764
Operating Lease Liabilities	<u>2,969,071</u>	<u>3,441,886</u>
Total liabilities	<u>5,671,239</u>	<u>6,479,650</u>
Net Assets		
Net assets without donor restrictions	7,577,114	18,089,153
Net assets with donor restrictions	13,889,674	13,923,714
	<u>21,466,788</u>	<u>32,012,867</u>
Total net assets	21,466,788	32,012,867
Total liabilities and net assets	<u>\$ 27,138,027</u>	<u>\$ 38,492,517</u>

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statement of Activities and Change in Net Assets

Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions of cash and other financial assets	\$ 23,617,379	\$ 10,433,996	\$ 34,051,375
Contributions of nonfinancial assets	163,562	-	163,562
Special events income, net of \$473,932			
in direct expenses	1,383,119	-	1,383,119
Program service fees	1,305,545	-	1,305,545
Interest income	479,572	-	479,572
Net assets released from restrictions	<u>10,468,036</u>	<u>(10,468,036)</u>	<u>-</u>
Total revenues, gains and other support	<u>37,417,213</u>	<u>(34,040)</u>	<u>37,383,173</u>
Expenses			
Program services:			
Training programs	<u>38,478,838</u>	<u>-</u>	<u>38,478,838</u>
Total program services	<u>38,478,838</u>	<u>-</u>	<u>38,478,838</u>
Supporting services:			
Management and general	6,840,756	-	6,840,756
Fundraising	<u>2,711,988</u>	<u>-</u>	<u>2,711,988</u>
Total supporting services	<u>9,552,744</u>	<u>-</u>	<u>9,552,744</u>
Total expenses	<u>48,031,582</u>	<u>-</u>	<u>48,031,582</u>
Change in net assets before other item	(10,614,369)	(34,040)	(10,648,409)
Other Item			
Foreign currency translation gain	<u>102,330</u>	<u>-</u>	<u>102,330</u>
Change in net assets	(10,512,039)	(34,040)	(10,546,079)
Net Assets, Beginning	<u>18,089,153</u>	<u>13,923,714</u>	<u>32,012,867</u>
Net Assets, Ending	<u>\$ 7,577,114</u>	<u>\$ 13,889,674</u>	<u>\$ 21,466,788</u>

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statement of Activities and Change in Net Assets

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions of cash and other financial assets	\$ 37,723,351	\$ 12,785,098	\$ 50,508,449
Contributions of nonfinancial assets	1,275,671	-	1,275,671
Special events income, net of \$568,336 in direct expenses	1,236,245	-	1,236,245
Program service fees	1,355,597	-	1,355,597
Interest income	154,615	-	154,615
Net assets released from restrictions	10,720,370	(10,720,370)	-
Total revenues, gains and other support	<u>52,465,849</u>	<u>2,064,728</u>	<u>54,530,577</u>
Expenses			
Program services:			
Training programs	<u>29,534,028</u>	<u>-</u>	<u>29,534,028</u>
Total program services	<u>29,534,028</u>	<u>-</u>	<u>29,534,028</u>
Supporting services:			
Management and general	5,848,860	-	5,848,860
Fundraising	<u>2,437,883</u>	<u>-</u>	<u>2,437,883</u>
Total supporting services	<u>8,286,743</u>	<u>-</u>	<u>8,286,743</u>
Total expenses	<u>37,820,771</u>	<u>-</u>	<u>37,820,771</u>
Change in net assets before other item	14,645,078	2,064,728	16,709,806
Other Item			
Foreign currency translation loss	<u>(205,497)</u>	<u>-</u>	<u>(205,497)</u>
Change in net assets	14,439,581	2,064,728	16,504,309
Net Assets, Beginning	<u>3,649,572</u>	<u>11,858,986</u>	<u>15,508,558</u>
Net Assets, Ending	<u>\$ 18,089,153</u>	<u>\$ 13,923,714</u>	<u>\$ 32,012,867</u>

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services	Supporting Services		Total Expenses
	Training Programs	Management and General	Fundraising	
Salaries	\$ 23,761,274	\$ 2,803,478	\$ 1,758,112	\$ 28,322,864
Payroll taxes and employee benefits	4,616,262	502,523	352,208	5,470,993
Lease expense	1,012,929	285,369	106,284	1,404,582
Professional fees	2,965,435	1,872,301	169,329	5,007,065
Stipends	201,203	-	-	201,203
Equipment leases	59,311	3,751	3,524	66,586
Printing and marketing	563,285	239,286	1,676	804,247
Office supplies	68,232	57,136	1,550	126,918
Travel, conferences and food	974,678	162,746	140,113	1,277,537
Insurance	1,345	75,252	-	76,597
Postage and delivery	23,401	19,006	1,468	43,875
Dues and subscriptions	119,856	60,270	20,727	200,853
Information technology	1,748,106	102,749	48,138	1,898,993
Depreciation and amortization	930,157	135,556	20,757	1,086,470
Licenses	601,122	1,040	-	602,162
Software and hardware, clients	220,964	312,508	17,119	550,591
Facilities related	118,062	41,884	39,301	199,247
Uncollectible accounts	366,353	54,862	28,785	450,000
Miscellaneous	126,863	111,039	2,897	240,799
Total expenses	\$ 38,478,838	\$ 6,840,756	\$ 2,711,988	\$ 48,031,582

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services	Supporting Services		Total Expenses
	Training Programs	Management and General	Fundraising	
Salaries	\$ 18,382,400	\$ 2,131,087	\$ 1,431,353	\$ 21,944,840
Payroll taxes and employee benefits	3,345,812	349,174	262,297	3,957,283
Lease expense	1,037,786	247,478	114,544	1,399,808
Professional fees	1,805,960	1,321,983	227,604	3,355,547
Subcontractors	86,150	-	-	86,150
Stipends	124,907	-	-	124,907
Equipment leases	48,577	10,257	-	58,834
Printing and marketing	692,638	426,578	9,160	1,128,376
Office supplies	37,520	52,343	1,918	91,781
Travel, conferences and food	619,780	142,778	265,970	1,028,528
Insurance	3,508	87,179	-	90,687
Postage and delivery	13,343	4,754	1,994	20,091
Dues and subscriptions	58,475	46,533	3,385	108,393
Information technology	1,358,470	238,159	34,162	1,630,791
Depreciation and amortization	418,620	429,226	53,783	901,629
Licenses	858,944	646	-	859,590
Software and hardware, clients	406,329	187,176	8,909	602,414
Facilities related	112,373	33,563	22,804	168,740
Miscellaneous	122,436	139,946	-	262,382
	<u>\$ 29,534,028</u>	<u>\$ 5,848,860</u>	<u>\$ 2,437,883</u>	<u>\$ 37,820,771</u>

See notes to consolidated financial statements

NPower Inc. and Affiliate

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (10,546,079)	\$ 16,504,309
Adjustment to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	1,086,470	901,629
Change in discount	61,303	36,436
Donation of fixed assets	-	(136,797)
Net accretion of operating leases	25,642	13,858
(Increase) decrease in assets:		
Contributions receivable	(633,399)	(767,391)
Accounts receivable	(38,275)	(406,055)
Prepaid expenses	(49,070)	(186,893)
Security deposits	3,346	26,899
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(391,405)	145,795
Accrued vacations payable	120,678	47,404
Accrued salaries, bonuses and related benefits	(138,083)	572,338
Deferred income	(54,903)	(169,948)
Net cash flows from operating activities	<u>(10,553,775)</u>	<u>16,581,584</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	(812,169)	(648,801)
Redemption of certificates of deposit	1,774,092	-
Purchase of certificates of deposit	-	(10,644,659)
Net cash flows from investing activities	<u>961,923</u>	<u>(11,293,460)</u>
Net change in cash and cash equivalents	(9,591,852)	5,288,124
Cash and Cash Equivalents, Beginning	<u>13,059,317</u>	<u>7,771,193</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,467,465</u>	<u>\$ 13,059,317</u>

Noncash Transactions

For the year ended December 31, 2022, the Organization received \$136,797 of fixed assets from donors included within contributions of nonfinancial assets on the consolidated statements of activities and change in net assets.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

1. Description of Organization

Nature of Operations

The accompanying consolidated financial statements include the accounts of the following entities (collectively referred to as the Organization):

NPower Inc. (NPower) is a national nonprofit that creates pathways to economic prosperity by launching digital careers for military veterans and young adults from underserved communities. NPower was incorporated on November 15, 2000 in the State of New York.

NPower Canada (NC) was incorporated in Canada on January 13, 2014. NC is a charitable organization that launches underserved young adults into meaningful and sustainable digital careers.

NPower is the sole member of NC. NPower received \$25,000 from NC in 2023 and 2022 for use of the NPower trademark. The transaction was eliminated in consolidation.

NPower's services are delivered through the following programs:

Tech Fundamentals is up to a 20-week virtual classroom and internship training program for young adults between the ages of 18 and 26 and military veterans and their spouses that results in career enhancing opportunities including jobs, technical certification and qualification for higher education. In 2023, the program operated in New York (New York City), New Jersey (Newark), Texas (Dallas, Ft. Worth, Houston, and San Antonio), Maryland (Baltimore), Missouri (St. Louis), California (San Jose), Michigan (Detroit), North Carolina (Raleigh), and Ohio (Dayton) and provided the industry-recognized certifications: CompTIA A+ and IT Fundamentals+, a Google IT Support Certificate, and an IT Generalist Apprenticeship credential. In addition, trainees received exposure to Microsoft, Cisco, AWS and other leading technologies; mentoring from senior level IT professionals; employment readiness workshops; job placement assistance with access to a wide range of top employers; and a full range of ongoing social service and personal development support.

Information Technology Support Specialist is an 18-week virtual classroom and internship training program designed to provide participants with the basics of IT networking, troubleshooting, and infrastructure. In 2023, the program operated in California (Los Angeles) and provided an opportunity to earn industry-recognized certifications: CompTIA ITF+, Microsoft Certified 365 & Azure Fundamentals and a Google IT Support Certificate. In addition, trainees have an opportunity for a paid internship and apprenticeships, direct placement; exposure to Microsoft, Google and other leading technologies; mentoring from senior level IT professionals; employment readiness workshops; job placement assistance with access to a wide range of top employers; and a full range of ongoing social service and personal development support.

Advanced Certifications are accelerated training programs for more advanced IT coursework including *Cybersecurity and Cloud Computing*. Each program path offers free hands-on training and in-demand certifications designed to prepare program alumni for higher wage IT jobs.

Cybersecurity is an advanced training course designed for students who are ready to move beyond the basics of IT and tackle more rigorous security specialties. The program provides all the tools needed for participants to launch a career in the field of cybersecurity. In 2023, the program operated on a national basis and provided the industry-recognized CompTIA Security+ certification; mentoring from senior level cybersecurity professionals and program alumni; career development workshops; job placement assistance with access to a wide range of top employers; opportunity to earn Cybersecurity Support Technician apprenticeship credentials (in TX and NJ); a range of social service and personal development support; and access to an elite, supportive alumni network.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Cloud Computing is a 12-week virtual training program designed for working tech professionals that provides the opportunity to earn industry-recognized, in-demand certifications, including AWS Cloud Practitioner and AWS Solutions Architect-Associate. In 2023, the program operated on a national basis and included 14 hours of weekly online lectures and labs; three times a week online instruction; bi-weekly professional mentoring; and the opportunity for promotion or merit-based salary increase.

SkillBridge is a 10-week live/virtual cybersecurity training program backed by the U.S. Department of Defense and open to military members during their last 180 days of service. In 2023, the program operated in Northern Virginia and provided the opportunity to earn CompTIA Security+, Linux+, and Splunk certifications; mentoring from senior IT professionals; internship/job placement assistance.

Approximately 1,900 young adults, military veterans and their spouses were accepted into the programs in 2023 and approximately 9,000 graduates participate in the alumni network.

NC creates pathways to economic prosperity for Canada's underserved youth and adults by launching them into meaningful and sustainable digital careers.

2. Summary of Significant Accounting Policies

Basis of Accounting and Principles of Consolidation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

All intercompany transactions and balances have been eliminated in the consolidation.

The net assets of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of the Organization.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that will be met either by the actions of the Organization and/or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying consolidated statements of activities and change in net assets as net assets released from restrictions. Net assets with donor restrictions also includes net assets that are required to be held in perpetuity. As of December 31, 2023 and 2022, there were no net assets required to be held in perpetuity.

Cash and Cash Equivalents and Certificates of Deposit

The Organization considers all highly liquid investments with an original maturity of 90 days or less on the date of purchase to be cash equivalents. Cash equivalents are carried at fair value which approximates cost.

As of December 31, 2023 and 2022, the Organization's cash accounts and certificates of deposit exceeded federally insured limits. Nonnegotiable certificates of deposit are carried at amortized cost and, as a result, are excluded from the fair value hierarchy.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Contributions Receivable

Contributions receivable, which consist of unconditional promises to give, are recognized as revenue in the year the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not recorded until they are confirmed to be receivable by the donor.

Accounts Receivable

Receivables are recorded for services rendered but unpaid, and are included in accounts receivable.

Allowance for Credit Losses

The Organization recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. The Organization pools these receivables based on similar risk characteristics in estimating expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Organization measures those receivables individually. Receivables are written off when the Organization determines that such receivables are deemed uncollectible.

The Organization utilizes the loss rate method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. The allowance for credit losses was \$5,000 as of December 31, 2023. As of December 31, 2022, prior to the adoption of Accounting Standards Update (ASU) No. 2016-13, an allowance for doubtful accounts for such receivables of \$5,000 was recorded.

Allowance for Doubtful Accounts

The Organization also recognizes an allowance for doubtful accounts for receivables arising from nonreciprocal revenue. Management specifically analyzes historical bad debts, ability and intent to pay, current funding trends and changes in payment terms and rates when evaluating the adequacy of the allowance for doubtful accounts.

Fixed Assets

Fixed assets are stated at cost. The Organization capitalizes all property and equipment having a cost in excess of \$2,500 with a useful life of greater than one year. Depreciation is computed on the straight-line method over the useful lives of the assets. Amortization of leasehold improvements is computed on the straight-line method over the lesser of the term of the lease or their estimated useful lives.

Work in progress reflects significant projects that have not yet been completed and crossover fiscal years. Costs for these projects will continue to be aggregated until they are completed, at which time depreciation will begin.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Deferred Income

The Organization receives fees in advance of providing certain services, generally pursuant to contractual agreements. Deferred income represents amounts received as of fiscal year-end for services to be provided subsequent thereto. Deferred income also includes advances on conditional grants for which the conditions have not yet been met.

Operating Leases

The Organization recognizes right-of-use assets and operating lease liabilities for its operating leases based on the net present value of future minimum lease payments. Lease expense is recognized on a straight-line basis over the noncancelable lease term, including renewal periods that are considered to be reasonably certain.

Revenue From Contracts With Customers

Program service fees result from trainee internships under reciprocal contracts with customers and are recognized ratably over the period of service, generally monthly, at the net realizable transaction price per the contract as performance obligations are met. Subsequent adjustments to transaction price are recorded as reductions to revenue in the period they occur.

Contributions and Grants

Contributions are reported at fair value on the date they are received as unconditional promises to give. The gifts are reported as donor restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions. Donor restricted contributions received and expended in the same year are reflected as contributions without donor restrictions. Conditional promises to give (contributions with a measurable performance or other barrier and a right of return) are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal, state and local grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. The Organization received cost-reimbursable grants of \$5,565,355 that have not been recognized as of December 31, 2023 because qualifying expenditures have not yet been incurred.

Special Events Revenue

The reciprocal portion of special events revenue, equal to the fair value of direct benefit to donors, is recorded when the event takes place. The nonreciprocal portion is recorded as a contribution when the event takes place.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Contributed Nonfinancial Assets

Donated Property and Equipment

Donations of property and equipment are recorded as contributions of nonfinancial assets at their estimated fair values at the date of donation based upon the estimated cost to purchase similar property and equipment from an independent third party. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Donated property and equipment are not monetized and used in operations.

Donated Services

Contributions of services are recognized by the Organization as both revenue and expense in the accompanying consolidated statements of activities and change in net assets, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated services are valued based on hours incurred and the hourly rates applicable for similar services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been presented on a functional basis in the consolidated statements of activities and change in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salary and related benefits based upon estimated time and effort. In addition, certain shared costs are allocated based on estimated usage by department based upon employee headcount.

Use of Estimates

The preparation of consolidated 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 reported amounts of assets and liabilities and disclosure of contingent assets, and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation

The assets and liabilities of NC, which are stated in Canadian dollars (CAD), are translated to U.S. dollars (USD) using the exchange rate in effect at the date of the consolidated statements of financial position. Revenues, expenses, gains and losses are translated using the average exchange rate for the year. Gains or losses on foreign currency translation are recognized in the accompanying consolidated financial statements.

Tax Status

NPower qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, and qualifies as a not-for-profit organization under the laws of New York State. Accordingly, no provision for federal or state income taxes is required. NC is tax-exempt under Canadian tax laws.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Accounting for Uncertainty in Income Taxes

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax provisions that require adjustment to the consolidated financial statements to comply with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 740, *Accounting for Uncertainty in Income Taxes*.

Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America, which generally require that a loss be incurred before it is recognized. On January 1, 2023, the Organization adopted the ASU using the modified retrospective approach. The adoption of ASU No. 2016-13 had no impact on the consolidated financial statements for the year ended December 31, 2023.

Evaluation of Subsequent Events

Management has evaluated subsequent events through May 22, 2024, the date the consolidated financial statements are available for issuance, for inclusion or disclosure in the consolidated financial statements. Management determined that the following information was pertinent:

On January 12, 2024, the Organization entered into a line of credit agreement in the amount of \$2,000,000 with Chase bank which terminates on November 12, 2025. The line is secured and collateralized by the Organization's accounts, chattel paper and equipment. Interest on the unpaid principal balance is computed on the basis of the actual number of days elapsed in a year of 360 days at the adjusted Secured Overnight Financing Rate (SOFR) rate and at the rate of 3.00% per annum above the adjusted SOFR rate. As of May 22, 2024, the line was not drawn upon.

3. Contributions Receivable, net

Contributions receivable, net as of December 31, consists of unconditional promises to give as follows:

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 7,594,538	\$ 7,032,958
One to five years	832,819	761,000
	<u>8,427,357</u>	<u>7,793,958</u>
Total contributions	8,427,357	7,793,958
Discount on contributions receivable	<u>(112,819)</u>	<u>(51,516)</u>
Total	<u>\$ 8,314,538</u>	<u>\$ 7,742,442</u>

The discount rate used to calculate the net present value of the contributions ranged from approximately 4.21% to 4.39%.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

4. Fixed Assets, Net

Fixed assets, net, consists of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 612,087	\$ 460,583
Furnishings and equipment	<u>5,992,960</u>	<u>5,332,295</u>
Fixed assets subtotal	6,605,047	5,792,878
Accumulated depreciation and amortization	<u>(5,112,840)</u>	<u>(4,026,370)</u>
Fixed assets, net	<u>\$ 1,492,207</u>	<u>\$ 1,766,508</u>

5. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Time restricted	\$ 1,545,000	\$ -
Time and purpose restricted, Training Programs	9,308,489	11,524,799
Time and purpose restricted, Training Programs - NC	<u>3,036,185</u>	<u>2,398,915</u>
Total	<u>\$ 13,889,674</u>	<u>\$ 13,923,714</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or release of time restrictions, as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Time restrictions	\$ 500,000	\$ 9,500
Training Programs	7,569,121	7,760,986
Training Programs - NC	<u>2,398,915</u>	<u>2,949,884</u>
Total	<u>\$ 10,468,036</u>	<u>\$ 10,720,370</u>

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

6. Foreign Currency Translation Adjustments

Foreign currency translation adjustments associated with consolidating the accounts of NPower's affiliate, NPower Canada, are reported in the consolidated statements of activities and change in net assets. The amount of accumulated translation adjustments is included in net assets without donor restrictions in the consolidated statements of financial position.

The accumulated foreign currency translation adjustments for the years ended December 31, are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ (827,527)	\$ (622,030)
Foreign currency translation gain (loss)	<u>102,330</u>	<u>(205,497)</u>
Balance, end of year	<u>\$ (725,197)</u>	<u>\$ (827,527)</u>

7. Leases

The Organization is obligated under various noncancellable operating leases for certain of its facilities, expiring through March 2030. NPower has various real estate leases which expire on various dates through 2030.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or to terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses a risk-free rate based on treasury note or bond rates for a similar term as there are no rates implicit in their leases.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31:

	2023		
	NPower	NC	Total
Operating lease right-of-use assets	\$ 2,448,238	\$ 1,181,872	\$ 3,630,110
Operating lease liabilities:			
Current	\$ 630,075	\$ 245,720	\$ 875,795
Long-term	1,998,236	970,835	2,969,071
Total operating lease liabilities	\$ 2,628,311	\$ 1,216,555	\$ 3,844,866

	2022		
	NPower	NC	Total
Operating lease right-of-use assets	\$ 2,578,081	\$ 1,422,369	\$ 4,000,450
Operating lease liabilities:			
Current	\$ 487,867	\$ 259,811	\$ 747,678
Long-term	2,252,766	1,189,120	3,441,886
Total operating lease liabilities	\$ 2,740,633	\$ 1,448,931	\$ 4,189,564

Below is a summary of expenses incurred pertaining to leases for the years ended December 31:

	2023		
	NPower	NC	Total
Operating lease expense	\$ 678,437	\$ 279,023	\$ 957,460
Total lease expense	\$ 678,437	\$ 279,023	\$ 957,460

	2022		
	NPower	NC	Total
Operating lease expense	\$ 787,868	\$ 293,611	\$ 1,081,479
Total lease expense	\$ 787,868	\$ 293,611	\$ 1,081,479

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 2.64% and 0.78% for NPower and NC, respectively, as of December 31, 2023. The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 2.36% and 0.83% for NPower and NC, respectively, as of December 31, 2022. As of December 31, 2023, the weighted average remaining lease term was 4.40 years and 5.56 years for NPower and NC, respectively. As of December 31, 2022, the weighted average remaining lease term was 5.56 years and 6.30 years for NPower and NC, respectively.

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after December 31, 2023:

	<u>NPower</u>	<u>NC</u>	<u>Total</u>
Years ending December 31:			
2024	\$ 690,084	\$ 259,495	\$ 949,579
2025	667,108	235,493	902,601
2026	507,004	222,773	729,777
2027	402,270	139,682	541,952
2028	412,323	141,757	554,080
Thereafter	103,713	240,641	344,354
	<u>2,782,502</u>	<u>1,239,841</u>	<u>4,022,343</u>
Total lease payments			
	154,191	23,286	177,477
Less present value discount			
Total lease liabilities	2,628,311	1,216,555	3,844,866
	<u>630,075</u>	<u>245,720</u>	<u>875,795</u>
Less current portion			
Long-term lease liabilities	<u>\$ 1,998,236</u>	<u>\$ 970,835</u>	<u>\$ 2,969,071</u>

The following table includes supplemental cash flow and noncash information related to the leases for the years ended December 31:

	2023		
	<u>NPower</u>	<u>NC</u>	<u>Total</u>
Operating cash flows from operating leases	<u>\$ 660,916</u>	<u>\$ 271,647</u>	<u>\$ 932,563</u>
Operating lease right-of-use assets obtained in exchange for lease liabilities	<u>\$ 478,173</u>	<u>\$ -</u>	<u>\$ 478,173</u>
	2022		
	<u>NPower</u>	<u>NC</u>	<u>Total</u>
Operating cash flows from operating leases	<u>\$ 783,300</u>	<u>\$ 282,831</u>	<u>\$ 1,066,131</u>
Operating lease right-of-use assets obtained in exchange for lease liabilities	<u>\$ 172,476</u>	<u>\$ 11,014</u>	<u>\$ 183,490</u>

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

8. Line of Credit

NC has a \$750,000 CAD (\$565,462 USD based on exchange rate of \$.7539 as of December 31, 2023) line of credit from the Royal Bank of Canada with interest payable monthly at rate of Canadian prime (7.20% as of December 31, 2023) plus 1.73%. The line of credit is available in increments of \$5,000 (\$3,770 USD based on exchange rate of \$.7539 as of December 31, 2023) CAD and is secured by a first ranking security interest in all property. The line was not drawn in 2023 or 2022.

9. Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, certificates of deposit and receivables. From time to time, the cash balances exceed the Federal Deposit Insurance Corporation coverage limit. Management believes that credit risk related to cash and cash equivalents is minimal, as the Organization places its cash with high credit quality financial institutions.

As of December 31, 2023, approximately 10% of total contributions receivable was due from one donor. As of December 31, 2022, approximately 12% of total contributions receivable was due from one donor.

For the year ended December 31, 2023, there were no concentrations related to contributions of cash and other financial assets. For the year ended December 31, 2022, approximately 30% of total contributions of cash and other financial assets was received from one donor.

10. Retirement Plan

NPower has a defined contribution annuity retirement plan which covers substantially all eligible employees, as defined. The discretionary pension contribution expense for the years ended December 31, 2023 and 2022 was \$123,693 and \$27,837, respectively.

Employees of NC may participate in a group registered retirement savings plan (RRSP). There are no employer contributions to the RRSP.

11. Contributions of Nonfinancial Assets

For the years ended December 31, NPower received the following noncash donations:

	<u>2023</u>	<u>2022</u>
Advertising	\$ 676	\$ 500,000
Consulting	35,981	108,685
Equipment	-	114,081
Event costs	-	3,360
Software and hardware	123,500	320,000
Stipends	1,000	8,250
Conferences	2,405	221,295
	<u>\$ 163,562</u>	<u>\$ 1,275,671</u>

NPower Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

12. Liquidity and Availability of Resources

The following table reflects the Organization's financial assets available for general expenditure within one year as of December 31, 2023 and 2022. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,467,465	\$ 13,059,317
Certificates of deposit	8,870,567	10,644,659
Contributions receivable, current portion	7,594,538	7,032,958
Accounts receivable	<u>695,643</u>	<u>657,368</u>
Total financial assets	20,628,213	31,394,302
Less donor restricted amounts	<u>13,169,674</u>	<u>13,214,230</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,458,539</u>	<u>\$ 18,180,072</u>

As part of the Organization's liquidity management, its practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NPower Inc. and Affiliate

Consolidating Statement of Financial Position
December 31, 2023

	<u>NPower</u>	<u>NC</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,497,871	\$ 1,969,594	\$ -	\$ 3,467,465
Certificate of deposit	8,870,567	-	-	8,870,567
Contributions receivable, net	6,082,001	1,512,537	-	7,594,538
Accounts receivable, net	614,164	81,479	-	695,643
Prepaid expenses	354,629	190,466	-	545,095
	<u>17,419,232</u>	<u>3,754,076</u>	<u>-</u>	<u>21,173,308</u>
Contributions Receivable, Long-Term, Net	720,000	-	-	720,000
Security Deposits	122,402	-	-	122,402
Right-of-Use Assets, Operating Leases	2,448,238	1,181,872	-	3,630,110
Fixed Assets, Net	1,421,479	70,728	-	1,492,207
Interest in Net Assets of Affiliate	3,524,747	-	(3,524,747)	-
	<u>\$ 25,656,098</u>	<u>\$ 5,006,676</u>	<u>\$ (3,524,747)</u>	<u>\$ 27,138,027</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 466,857	\$ 265,374	\$ -	\$ 732,231
Accrued vacations payable	412,943	-	-	412,943
Accrued salaries, bonuses and related benefits	528,719	-	-	528,719
Current portion of operating lease liabilities	630,075	245,720	-	875,795
Deferred income	152,480	-	-	152,480
	<u>2,191,074</u>	<u>511,094</u>	<u>-</u>	<u>2,702,168</u>
Operating Lease Liabilities	1,998,236	970,835	-	2,969,071
	<u>4,189,310</u>	<u>1,481,929</u>	<u>-</u>	<u>5,671,239</u>
Net Assets				
Net assets without donor restrictions	7,577,114	488,562	(488,562)	7,577,114
Net assets with donor restrictions	13,889,674	3,036,185	(3,036,185)	13,889,674
	<u>21,466,788</u>	<u>3,524,747</u>	<u>(3,524,747)</u>	<u>21,466,788</u>
Total liabilities and net assets	<u>\$ 25,656,098</u>	<u>\$ 5,006,676</u>	<u>\$ (3,524,747)</u>	<u>\$ 27,138,027</u>

NPower Inc. and Affiliate

Consolidating Statement of Activities and Change in Net Assets

Year Ended December 31, 2023

	NPower			NC			Total Before Eliminations	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
Revenue, Gains and Other Support									
Contributions of cash and other financial assets	\$ 12,856,756	\$ 7,397,811	\$ 20,254,567	\$ 10,760,623	\$ 3,036,185	\$ 13,796,808	\$ 34,051,375	\$ -	\$ 34,051,375
Contributions of nonfinancial assets	163,562	-	163,562	-	-	-	163,562	-	163,562
Special events income, net	1,383,119	-	1,383,119	-	-	-	1,383,119	-	1,383,119
Program service fees	1,330,545	-	1,330,545	-	-	-	1,330,545	(25,000)	1,305,545
Interest income	479,572	-	479,572	-	-	-	479,572	-	479,572
Gain of affiliate	195,226	637,270	832,496	-	-	-	832,496	(832,496)	-
Net assets released from restrictions	8,069,121	(8,069,121)	-	2,398,915	(2,398,915)	-	-	-	-
Total revenue, gains and other support	24,477,901	(34,040)	24,443,861	13,159,538	637,270	13,796,808	38,240,669	(857,496)	37,383,173
Expenses									
Program services:									
Training programs	28,485,944	-	28,485,944	9,992,894	-	9,992,894	38,478,838	-	38,478,838
Total program services	28,485,944	-	28,485,944	9,992,894	-	9,992,894	38,478,838	-	38,478,838
Supporting services:									
Management and general	4,265,802	-	4,265,802	2,599,954	-	2,599,954	6,865,756	(25,000)	6,840,756
Fundraising	2,238,194	-	2,238,194	473,794	-	473,794	2,711,988	-	2,711,988
Total supporting services	6,503,996	-	6,503,996	3,073,748	-	3,073,748	9,577,744	(25,000)	9,552,744
Total expenses	34,989,940	-	34,989,940	13,066,642	-	13,066,642	48,056,582	(25,000)	48,031,582
Change in net assets before other item	(10,512,039)	(34,040)	(10,546,079)	92,896	637,270	730,166	(9,815,913)	(832,496)	(10,648,409)
Other Item									
Foreign currency translation gain	-	-	-	102,330	-	102,330	102,330	-	102,330
Change in net assets	(10,512,039)	(34,040)	(10,546,079)	195,226	637,270	832,496	(9,713,583)	(832,496)	(10,546,079)
Net Assets, Beginning	18,089,153	13,923,714	32,012,867	293,336	2,398,915	2,692,251	34,705,118	(2,692,251)	32,012,867
Net Assets, Ending	\$ 7,577,114	\$ 13,889,674	\$ 21,466,788	\$ 488,562	\$ 3,036,185	\$ 3,524,747	\$ 24,991,535	\$ (3,524,747)	\$ 21,466,788