

**THE SOLAR ENERGY CONSORTIUM, INC.**

**Financial Statements as of  
December 31, 2016 and 2015  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

May 19, 2017

To the Board of Directors of  
The Solar Energy Consortium, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Solar Energy Consortium, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to The Solar Energy Consortium, Inc.'s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Solar Energy Consortium, Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Solar Energy Consortium, Inc. as of December 31, 2016 and 2015 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.

## INDEPENDENT AUDITOR'S REPORT

(Continued)

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2017 on our consideration of The Solar Energy Consortium, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Solar Energy Consortium, Inc.'s internal control over financial reporting and compliance.

# THE SOLAR ENERGY CONSORTIUM, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

---

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 63,956	\$ 33,355
Accounts receivable	20,000	-
Grants receivable	898,437	418,505
Prepaid expense	<u>3,403</u>	<u>5,788</u>
Total current assets	<u>985,796</u>	<u>457,648</u>
NON-CURRENT ASSETS:		
Deposits	750	750
Property and equipment - net	<u>1,138,059</u>	<u>898,146</u>
Total non-current assets	<u>1,138,809</u>	<u>898,896</u>
Total assets	<u>\$ 2,124,605</u>	<u>\$ 1,356,544</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 18,743	\$ 34,808
Accrued expenses	3,946	4,546
Short-term bank borrowings	856,890	344,374
Deferred revenue, current portion	<u>324,162</u>	<u>205,117</u>
Total current liabilities	1,203,741	588,845
NON-CURRENT LIABILITIES:		
Deferred revenue, net of current portion	<u>723,665</u>	<u>534,987</u>
Total liabilities	<u>1,927,406</u>	<u>1,123,832</u>
NET ASSETS:		
Unrestricted net assets	<u>197,199</u>	<u>232,712</u>
Total net assets	<u>197,199</u>	<u>232,712</u>
Total liabilities and net assets	<u>\$ 2,124,605</u>	<u>\$ 1,356,544</u>

The accompanying notes are an integral part of these statements.

# THE SOLAR ENERGY CONSORTIUM, INC.

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

---

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:			
Grant income	\$ -	\$ 869,303	\$ 869,303
Contributions	103,593	-	103,593
Lab and equipment usage fees	900	-	900
Interest income	5	-	5
Net assets released from restrictions	<u>869,303</u>	<u>(869,303)</u>	<u>-</u>
Total revenue and other support	<u>973,801</u>	<u>-</u>	<u>973,801</u>
EXPENSES:			
Program services	842,204	-	842,204
Management and general	<u>167,110</u>	<u>-</u>	<u>167,110</u>
Total expenses	<u>1,009,314</u>	<u>-</u>	<u>1,009,314</u>
CHANGE IN NET ASSETS	(35,513)	-	(35,513)
NET ASSETS - JANUARY 1, 2016	<u>232,712</u>	<u>-</u>	<u>232,712</u>
NET ASSETS - DECEMBER 31, 2016	<u>\$ 197,199</u>	<u>\$ -</u>	<u>\$ 197,199</u>

The accompanying notes are an integral part of these statements.

# THE SOLAR ENERGY CONSORTIUM, INC.

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

---

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:			
Grant income	\$ -	\$ 689,317	\$ 689,317
Contributions	86,355	-	86,355
In-kind goods and services	15,750	-	15,750
Interest income	4	-	4
Net assets released from restrictions	<u>706,740</u>	<u>(706,740)</u>	<u>-</u>
Total revenue and other support	<u>808,849</u>	<u>(17,423)</u>	<u>791,426</u>
EXPENSES:			
Program services	660,250	-	660,250
Management and general	<u>187,063</u>	<u>-</u>	<u>187,063</u>
Total expenses	<u>847,313</u>	<u>-</u>	<u>847,313</u>
CHANGE IN NET ASSETS	(38,464)	(17,423)	(55,887)
NET ASSETS - JANUARY 1, 2015	<u>271,176</u>	<u>17,423</u>	<u>288,599</u>
NET ASSETS - DECEMBER 31, 2015	<u>\$ 232,712</u>	<u>\$ -</u>	<u>\$ 232,712</u>

The accompanying notes are an integral part of these statements.

# THE SOLAR ENERGY CONSORTIUM, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (35,513)	\$ (55,887)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	305,183	244,488
Loss on disposition of property	26,500	38,670
Changes in operating assets and liabilities:		
Accounts receivable	(20,000)	8,314
Grants receivable	(479,932)	(340,860)
Prepaid expense	2,385	12
Accounts payable	(34,455)	(27,731)
Accrued expenses	(600)	(6,851)
Deferred revenue	307,723	55,759
Due to Department of Energy	<u>-</u>	<u>(2,500)</u>
Net cash flow provided by (used in) operating activities	<u>71,291</u>	<u>(86,586)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposition of property and equipment	1,000	-
Purchase of property and equipment	<u>(554,206)</u>	<u>(294,594)</u>
Net cash flow used in investing activities	<u>(553,206)</u>	<u>(294,594)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term bank borrowings	671,616	344,374
Payments on short-term bank borrowings	<u>(159,100)</u>	<u>-</u>
Net cash flow provided by financing activities	<u>512,516</u>	<u>344,374</u>
NET CHANGE IN CASH	30,601	(36,806)
CASH - beginning of year	<u>33,355</u>	<u>70,161</u>
CASH - end of year	<u>\$ 63,956</u>	<u>\$ 33,355</u>
SUPPLEMENTAL DATA - Interest paid	<u>\$ 20,176</u>	<u>\$ 3,847</u>
SUPPLEMENTAL DATA - Purchases of property and equipment in accounts payable	<u>\$ 18,390</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

# THE SOLAR ENERGY CONSORTIUM, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

---

### 1. THE ORGANIZATION

The Solar Energy Consortium, Inc. (T-SEC) was created in 2007 to lead New York State research on solar systems and to create and grow a solar manufacturing industry in the state. T-SEC also applies its successful business model to related industries in the advanced manufacturing sector. T-SEC brings together diverse constituencies to overcome the technical and economic obstacles to the widespread use of solar energy and advanced manufacturing technologies. The research is accomplished using T-SEC personnel and its University partners and is driven toward advancing commercialization of new solar technology and advanced manufacturing products in partnership with industry. T-SEC's revenue is derived primarily from grants.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

T-SEC is required to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions, according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the net assets of T-SEC, and changes therein, are classified and reported as follows:

*Unrestricted net assets:* Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets:* Net assets subject to donor-imposed stipulations that may or will be met by actions of T-SEC and/or the passage of time.

*Permanently restricted net assets:* Net assets subject to donor imposed stipulations that may be maintained permanently by T-SEC. T-SEC does not have any permanently restricted net assets.

#### **Basis of Accounting**

The financial statements of T-SEC have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). Revenues and other support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Grant revenue that relates to the acquisition of depreciable property and equipment is deferred and reflected in income over the useful lives of the related assets.

#### **Contributions**

Unconditional contributions are recognized as revenues in the period received. Conditional contributions are not recognized as revenues until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

#### **Cash**

T-SEC considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents. T-SEC had no cash equivalents at December 31, 2016 or 2015.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Receivables**

Accounts and grants receivable represent amounts due under grants and professional service contracts to T-SEC. Receivables are stated at the amount management expects to collect from outstanding balances. At December 31, 2016 and 2015, management has determined that the receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary. If amounts become uncollectible, they will be charged to expense when that determination is made.

### **Property and Equipment**

Property and equipment costing in excess of \$500 is capitalized. Property and equipment are being depreciated on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 15 years. Expenditures for major improvements and betterments to property and equipment, as well as leasehold improvements, are capitalized, and expenditures for repairs and maintenance are expensed as incurred. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Certain property acquired with grant resources is owned by T-SEC for use in authorized programs. The funding sources retain reversionary interest in certain property purchased with grant funds. Upon disposition of such assets, reimbursement may be payable to the grantor.

### **Income Taxes**

T-SEC is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. In addition, T-SEC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

### **Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

## **3. RELATED PARTY TRANSACTIONS**

In 2016 and 2015, \$89,975 and \$50,000, respectively, was paid to a corporation where a member of the Board of Directors serves as managing partner. The work was awarded to this corporation in response to a request for proposal issued by T-SEC. The responses were evaluated by management and the corporation was determined to be the lowest cost bidder.

In 2016 and 2015, \$3,525 and \$1,643, respectively, was paid to a law firm where a member of the Board of Directors serves as a partner.

T-SEC paid rent expense of \$13,974 during the year ended December 31, 2015 to an entity controlled by one of the members of its Board of Directors. The square foot rates of this rent were determined to be at market.

The President and Chief Executive Officer of T-SEC provided a \$50,000 line of credit collateralized by a personal investment account in order to supplement T-SEC's cash position (see Note 5). This transaction was approved by the board and provides no personal inurement to this board member. The line of credit was closed in 2016.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment activity for the years ended December 31, was as follows:

	<u>2016</u>	<u>2015</u>
Lab equipment	\$ 1,802,695	\$ 1,389,892
Machinist training center	111,940	166,940
Leasehold improvements	273,211	118,550
Computer equipment	49,763	44,630
Furniture and equipment	<u>2,535</u>	<u>2,535</u>
Total property, plant and equipment	2,240,144	1,722,547
Less: Accumulated depreciation	<u>(1,102,085)</u>	<u>(824,401)</u>
Property, plant and equipment, net	<u>\$ 1,138,059</u>	<u>\$ 898,146</u>

Depreciation expense amounted to \$305,183 and \$244,488 for the years ended December 31, 2016 and 2015, respectively.

#### 5. LINES OF CREDIT

In April 2015, T-SEC opened a line of credit with a local bank with an available balance of \$500,000. The line accrued interest at the prime rate plus 1 percentage point, or 4.50% at December 31, 2015, matured May 31, 2016, and was available only for equipment purchases funded by a specific grant. The line was collateralized by equipment. The outstanding balance was \$294,374 at December 31, 2015. The line was closed in 2016.

In December 2015, the T-SEC Board of Directors approved an additional line of credit through the President and Chief Executive Officer of T-SEC with an available balance of \$50,000. The President obtained this line of credit from a national bank personally and advanced funds to T-SEC as needed, with T-SEC responsible to pay all principal, interest, and fees associated with the borrowing. The line accrued interest at the bank's base rate less 1.75 percentage points, or 3.75% at December 31, 2015. The line of credit was collateralized by a personal investment account owned by the President and Chief Executive Officer of T-SEC. The outstanding balance was \$50,000 at December 31, 2015. The line was closed in 2016.

In May 2016, T-SEC opened a line of credit with a local bank with an available balance of \$75,000. The line accrues interest at the prime rate plus one percentage point, or 4.75% at December 31, 2016, matures May 31, 2017 and is due on demand. The line is collateralized by substantially all of T-SEC's unpledged assets. The outstanding balance was zero at December 31, 2016.

In May 2016, T-SEC opened a line of credit with a local bank with an available balance of \$750,000. In August 2016, this line was replaced with a new line of credit with the same local bank with an available balance of \$1,000,000. The line accrues interest at the prime rate plus one percentage point, or 4.75% at December 31, 2016, matures August 31, 2017 and is available only for equipment purchases funded by a specific grant. The line is collateralized by equipment. The outstanding balance was \$856,890 at December 31, 2016.

Interest expense amounted to \$22,272 and \$5,137 for the years ended December 31, 2016 and 2015, respectively.

## **6. LEASES**

T-SEC leased office facilities under an operating lease on an annual basis for \$13,974 per year (See Note 3) through December 31, 2015. This lease was not renewed for 2016.

T-SEC also leased space for a laboratory under an operating lease on a month-to-month basis for \$800 per month through December 31, 2015. This lease was not renewed for 2016.

In January 2016, T-SEC leased combined office and laboratory facilities under a new operating lease on an annual basis for \$11,040 per year through December 31, 2016.

Rental expense amounted to \$11,040 and \$20,374 for the years ended December 31, 2016 and 2015, respectively.

## **7. CONCENTRATIONS**

Approximately 24%, 29%, and 36% of T-SEC's support was provided by grants from the United States Department of Commerce, New York State Urban Development Corporation d/b/a Empire State Development Corporation, and New York State Department of Labor, respectively, for 2016. Approximately 47%, 28%, and 13% of T-SEC's support was provided by grants from the United States Department of Commerce, New York State Empire State Development Corporation, and New York State Department of Labor, respectively, for 2015. Approximately 95% and 71% of T-SEC's grants receivable at December 31, 2016 and 2015, respectively, was from the New York State Urban Development Corporation d/b/a Empire State Development Corporation. A decrease in grant revenue would reduce T-SEC's level of activities.

## **8. SUBSEQUENT EVENTS**

Subsequent events have been evaluated by management through May 19, 2017, the date the financial statements were available to be issued.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

May 19, 2017

To the Board of Directors of  
The Solar Energy Consortium, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Solar Energy Consortium, Inc., which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered The Solar Energy Consortium, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Solar Energy Consortium, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Solar Energy Consortium, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

432 North Franklin Street, Suite 60  
Syracuse, New York 13204  
p (315) 476-4004  
f (315) 475-1513

www.bonadio.com

(Continued)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Solar Energy Consortium, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Solar Energy Consortium, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Solar Energy Consortium, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.