

AUDITED FINANCIAL STATEMENTS

NORTHEAST RECYCLING COUNCIL, INC.

Brattleboro, Vermont

JUNE 30, 2018

Boisselle, Morton & Wolkowicz, LLP
Certified Public Accountants

NORTHEAST RECYCLING COUNCIL, INC.

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Independent Auditors' Report

To the Board of Directors
Northeast Recycling Council, Inc.
Brattleboro, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Recycling Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statement of activities, functional expenses, and cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 entity'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 entity'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.

Board of Directors
Northeast Recycling Council, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Recycling Council, Inc. as of June 30, 2018, and the changes in its net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Boisselle, Morton & Wolkowicz, LLP

Hadley, Massachusetts
August 24, 2018

NORTHEAST RECYCLING COUNCIL, INC.

Statement of Financial Position

June 30, 2018

Assets

| | | |
|----------------------|----|----------------|
| Cash | \$ | 602,570 |
| Cash - restricted | | 258,623 |
| Dues receivable, net | | <u>70,409</u> |
| Total assets | \$ | <u>931,602</u> |

Liabilities and Net Assets

| | | |
|--|----|----------------|
| Accounts payable and accrued liabilities | \$ | <u>8,419</u> |
| Net assets | | |
| Unrestricted | | 447,936 |
| Temporarily restricted | | <u>475,247</u> |
| Total net assets | | <u>923,183</u> |
| Total liabilities and net assets | \$ | <u>931,602</u> |

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

NORTHEAST RECYCLING COUNCIL, INC.

Statement of Activities
Year Ended June 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-------------------|
| Support and revenue | | | |
| Program revenues | \$ 205,023 | | \$ 205,023 |
| Advisory membership dues | 92,890 | 80,750 | 173,640 |
| State membership dues | 56,775 | \$ 78,500 | 135,275 |
| Grants | 34,989 | 50,000 | 84,989 |
| Conference fees | 55,800 | | 55,800 |
| Sponsorships | 24,250 | | 24,250 |
| State travel - member meetings | | 3,241 | 3,241 |
| Interest revenue | 1,739 | 496 | 2,235 |
| Net assets released from restrictions | <u>222,164</u> | <u>(222,164)</u> | |
| Total support and revenue | <u>693,630</u> | <u>(9,177)</u> | <u>684,453</u> |
| Expenses | | | |
| Program | 633,167 | | 633,167 |
| General and administrative | <u>184,649</u> | | <u>184,649</u> |
| Total expenses | <u>817,816</u> | | <u>817,816</u> |
| Change in net assets | (124,186) | (9,177) | (133,363) |
| Net assets - beginning of year | <u>572,122</u> | <u>484,424</u> | <u>1,056,546</u> |
| Net assets - end of year | <u>\$ 447,936</u> | <u>\$ 475,247</u> | <u>\$ 923,183</u> |

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

NORTHEAST RECYCLING COUNCIL, INC.

Statement of Functional Expenses

Year Ended June 30, 2018

| | <u>Program</u> | <u>Administration</u> | <u>Total</u> |
|------------------------------------|-------------------|-----------------------|-------------------|
| Salaries and related expenses | \$ 177,554 | \$ 145,722 | \$ 323,276 |
| Professional fees | 299,167 | 9,576 | 308,743 |
| Travel | 41,523 | 148 | 41,671 |
| Consultants and contractual labor | 30,357 | 191 | 30,548 |
| Program meetings | 30,221 | | 30,221 |
| Other program costs | 28,323 | | 28,323 |
| Rent | | 12,678 | 12,678 |
| Licenses, dues and fees | 7,442 | 4,204 | 11,646 |
| Insurance | 2,558 | 3,255 | 5,813 |
| Bad debts | | 8,450 | 8,450 |
| Office supplies and expense | 5,064 | 267 | 5,331 |
| Telephone and internet | 5,048 | 158 | 5,206 |
| Equipment purchase and maintenance | 4,610 | | 4,610 |
| Promotion and marketing | 1,300 | | 1,300 |
| Total expenses | <u>\$ 633,167</u> | <u>\$ 184,649</u> | <u>\$ 817,816</u> |

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

NORTHEAST RECYCLING COUNCIL, INC.

Statement of Cash Flows

Year Ended June 30, 2018

| | |
|--|--------------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ (133,363) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | |
| Bad debts | 8,450 |
| Change in assets and liabilities: | |
| Dues receivable | 97,681 |
| Accounts payable and accrued liabilities | <u>296</u> |
| Net cash used by operating activities | <u>(26,936)</u> |
| | |
| Net decrease in cash | (26,936) |
| | |
| Cash - beginning of year | <u>888,129</u> |
| | |
| Cash - end of year | <u><u>\$ 861,193</u></u> |
| | |
| Cash includes: | |
| Cash | \$ 602,570 |
| Cash - restricted | <u>258,623</u> |
| | <u><u>\$ 861,193</u></u> |

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

NORTHEAST RECYCLING COUNCIL, INC.

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies

- a. *Nature of Business:* Northeast Recycling Council, Inc. (the Organization) was incorporated on September 1, 2000. It is a nonprofit entity incorporated under the laws of Vermont. The Organization provides information, education and research on the benefits of recycling and recycling related economic development mostly in the Northeast of the United States. Its office is in Brattleboro, Vermont. The Organization is funded by membership dues, federal, state, and local government contracts and grants, sponsorships and fees for service from other nonprofit organizations, trade associations and private companies.
- b. *Tax status:* Northeast Recycling Council, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements.
- c. *Accounting Method:* The financial statements of the Organization have been prepared on the accrual basis of accounting.
- d. *Use of Estimates:* Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts, and the reported revenues and expenses. Actual results could differ from those estimates.
- e. *Dues Receivable:* Dues receivable are stated at the amount management expects to collect from outstanding balances, net of an allowance for doubtful accounts of \$6,750. Management estimates the allowance based on historical bad debt expense.
- f. *Support and Revenue:* Sponsorships, grants, program and other revenue are recorded as support and revenue when received.
- g. *Restrictions:* Sponsorships, dues, grants and fees are available for unrestricted use unless specifically restricted by the donor, grantor or program user. Donor, grantor or program user restrictions result in revenue being recorded as temporarily restricted. When a donor, grantor or program user requirements are met, the temporarily restricted net assets are released (reclassified) as unrestricted.
- h. *Donated Services:* No amounts have been reflected in the financial statements for donated services. The Organization generally pays for those requiring specific expertise.
- i. *Expense Allocation:* The certain costs of providing various programs and other activities have been allocated among the programs and supporting services benefited.

2. FDIC Insurance of Bank Deposits

The Organization maintained bank accounts at a number of local banks. Accounts at these banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018, and throughout the year then ended, the Organization did not exceed these limits.

3. Line of Credit

The Organization has a \$50,000 line of credit with a local bank that is payable on demand. This line of credit is unsecured. Interest is prime plus 2.95% (4.25% at June 30, 2018). There was no outstanding balance at June 30, 2018.

NORTHEAST RECYCLING COUNCIL, INC.
Notes to Financial Statements (Continued)
June 30, 2018

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2018:

| | |
|--|------------------|
| Electronics Recycling Coordination Clearinghouse | \$183,863 |
| Reuse Marketplace | 1,241 |
| Capacity building program | 25,000 |
| State Electronics Challenge | 171,852 |
| State Travel Funds | 18,531 |
| Toxics in Packaging Clearinghouse | <u>74,760</u> |
| | <u>\$475,247</u> |

The Organization is required to maintain separate bank accounts for the Toxics in Packaging Clearinghouse and Electronics Recycling Coordination Clearinghouse contracts. These are presented as Cash - restricted on the statement of financial position for \$258,623.

5. Pension

The Organization established a defined contribution pension plan for all eligible employees under Section 403(b) of the Internal Revenue Service. The plan has an employer match of two dollars for each dollar contributed up to 5% of employee compensation voluntary contribution to the pension plan. Pension expense, which is included in salaries and related expenses on the statement of functional expenses, was \$24,264 in the year ended June 30, 2018.

6. Operating Lease

The Organization leases office space in Brattleboro, Vermont, under a one-year non-cancelable operating lease, renewing at June 1. Rent expense for the year ended June 30, 2018, was \$11,796. The minimum required rental payments for the year ending June 30, 2019, are \$11,796.

7. Subsequent Events

Management evaluated subsequent events after the statement of financial position date of June 30, 2018, through August 24, 2018, the date on which the financial statements were available to be issued, and concluded that no additional disclosures were required.