

GREEN EMPOWERMENT

Financial Statements and Report of
Independent Certified Public Accountant

For the Year Ended December 31, 2012

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ACCOUNTING AND ADVISORY SERVICES

Report of Independent Certified Public Accountant

**To the Board of Directors
Green Empowerment
Portland, Oregon**

I have audited the accompanying financial statements of Green Empowerment, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Richard Winkel, CPA

PO Box 91637
Portland, OR 97291

tel: (503) 332-6750
fax: (888) 739-8185
email: rwinkel@winkelcpa.com

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green Empowerment as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the Green Empowerment's 2011 financial statements, and I expressed an unqualified opinion on those financial statements in my report dated April 26, 2012. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Richard Winkel, CPA

April 22, 2013

GREEN EMPOWERMENT

STATEMENT OF FINANCIAL POSITION

December 31, 2012
(with comparative totals for December 31, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 253,431	\$ 133,068
Investments	551,543	536,127
Grants and contributions receivable	212,443	6,304
Prepaid expenses	<u>28,751</u>	<u>2,688</u>
Total current assets	1,046,168	678,187
Long-term assets:		
Furnishings and equipment, net of depreciation	<u>704</u>	<u>1,372</u>
Total assets	<u>\$ 1,046,872</u>	<u>\$ 679,559</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 2,778	\$ 2,070
Deferred revenue	<u>20,968</u>	<u>-</u>
Total current liabilities	<u>23,746</u>	<u>2,070</u>
Net Assets:		
Unrestricted	12,853	18,811
Temporarily restricted	510,273	158,678
Permanently restricted	<u>500,000</u>	<u>500,000</u>
Total net assets	<u>1,023,126</u>	<u>677,489</u>
Total liabilities and net assets	<u>\$ 1,046,872</u>	<u>\$ 679,559</u>

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

GREEN EMPOWERMENT

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2012
(with comparative totals for the year ended December 31, 2011)

	2012			Total	2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues:					
Contributions	\$ 177,832	\$ 294,016	\$ -	\$ 471,848	\$ 135,462
Grants	42,000	694,379	-	736,379	423,599
Service learning revenue	-	89,591	-	89,591	79,319
Investment and interest income	54	35,404	-	35,458	23,341
Other income	3,554	2,244	-	5,798	-
Total revenues	223,440	1,115,634	-	1,339,074	661,721
Net assets released from restriction	764,039	(764,039)	-	-	-
Total revenues	987,479	351,595	-	1,339,074	661,721
Expenses:					
Program services	857,712	-	-	857,712	521,407
Management and general	84,900	-	-	84,900	52,348
Fundraising	50,826	-	-	50,826	78,032
Total expenses	993,437	-	-	993,437	651,787
Change in net assets	(5,958)	351,595	-	345,637	9,934
Net assets, beginning of year	18,811	658,678	-	677,489	667,555
Prior period reclassification	-	(500,000)	500,000	-	-
Net assets, end of year	\$ 12,853	\$ 510,273	\$ 500,000	\$1,023,126	\$ 677,489

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

GREEN EMPOWERMENT

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012
(with comparative totals for the year ended December 31, 2011)

	2012				2011 Total
	Program Services	Management and General	Fundraising	Total	
Personnel expenses	\$ 211,507	\$ 51,819	\$ 34,655	\$ 297,981	\$ 303,839
Grants and related expenses	343,672	-	-	343,672	271,168
Program travel and expenses	29,716	-	-	29,716	20,618
Donated materials and services	240,793	21,819	-	262,612	4,165
Professional services	6,707	1,643	1,099	9,449	6,767
Education and training	-	1,338	-	1,338	395
Communication	2,247	550	368	3,165	2,481
Fundraising	-	-	9,100	9,100	6,748
Bank charges	780	1,338	-	2,118	2,237
Occupancy	8,518	2,087	1,395	12,000	12,000
Office expense	883	216	145	1,244	1,140
Insurance	3,965	971	650	5,586	5,375
Postage	1,380	345	993	2,718	5,879
Travel	-	888	9	897	1,321
Information technology	523	131	-	654	191
Printing and publications	5,356	1,339	2,411	9,106	6,784
License fees	1,130	283	-	1,413	312
Depreciation	535	133	-	668	367
Total expenses	\$ 857,712	\$ 84,900	\$ 50,825	\$ 993,437	\$ 651,787

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

GREEN EMPOWERMENT

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2012
(with comparative totals for the year ended December 31, 2011)

	2012	2011
Increase (decrease) in cash and cash equivalents		
Change in net assets	\$ 345,637	\$ 9,934
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	668	367
In-kind contribution of equipment	-	(499)
Net gain on investments	(35,404)	(23,306)
Changes in assets and liabilities:		
Grants and contribution receivable	(206,139)	(6,304)
Prepaid expenses	(26,063)	(126)
Accounts payable	708	1,140
Accrued expenses	20,968	(5,067)
	100,375	(23,861)
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of equipment	-	(707)
Distribution from investments	19,988	43,000
	19,988	42,293
Net cash provided by investing activities		
Net increase in cash and cash equivalents	120,363	18,432
Cash and cash equivalents, beginning of year	133,068	114,636
Cash and cash equivalents, end of year	\$ 253,431	\$ 133,068
Supplemental schedule of non-cash investing and financing activities:		
Donated equipment	\$ -	\$ 499

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

GREEN EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTE A – ORGANIZATION

Green Empowerment (“the Organization”) is a nonprofit corporation organized in 1997 which provides developing world access to clean water, electricity through renewable energy, and sustainable solutions. Support comes from private and public entities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with Accounting Standards Codification (ASC) of the Financial Accounting Standards Board 958. ASC 958 is the standard for external financial reporting for not-for-profit organizations.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets are net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that will not be met by actions of the Organization or the passage of time.

Revenue is 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. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Temporary restrictions expire when the donor-stipulated purpose has been fulfilled and/or the donor-stipulated time period has elapsed. Expirations of temporary restrictions result in the reclassification of temporarily restricted net assets to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

Cash and cash equivalents include accounts with financial institutions covered by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. For purposes of the statement of cash flows, the Organization considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

GREEN EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables consist of amounts due from grants and contributions and are recognized as revenue when the service is provided. The Organization uses the allowance method to account for uncollectible accounts. Management has determined that the risk of loss for uncollectible balances is not significant and no allowance was deemed necessary at December 31, 2012.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Donor restricted contributions are recorded as unrestricted if the restrictions are satisfied in the same reporting period in which the contributions are made. Contributions are recorded as increases in temporarily restricted net assets when the restrictions will be met in a future reporting period.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

During the year ended December 31, 2012 the Organization recognized \$195,867 in in-kind contributions of materials and \$66,745 in contribution of professional services. These are presented as contributions revenue on the statement of activities and changes in net assets.

Investments

The Organization follows guidance in Accounting Standards Codification (ASC) 820 and 958. Investments are reflected on the statement of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the statement of activities. Interest income is reported as earned.

Furnishings and Equipment

Furnishings and equipment are recorded at purchase cost. Acquisitions, renovations and repairs which increase the value of assets and have an estimated useful life in excess of one year are capitalized. All expenditures for repairs and maintenance which do not appreciably extend the useful life or increase the value of the assets are expensed in the period in which the cost is incurred. Contributed property is recorded at its fair market value on the date of contribution.

The Organization depreciates furnishings and equipment over its estimated useful life using the straight-line method for financial reporting purposes, which is generally between 3 and 5 years.

GREEN EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising is expensed as incurred.

Income Taxes

The Organization received a tax determination letter indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(1). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Expense Allocation

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

Fair Value of Financial Instruments

Due to the short-term nature of cash equivalents, prepaid expenses and other assets, accounts payable and accrued liabilities, their fair value approximates carrying value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Financial Information for 2011

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

GREEN EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTE C – PRIOR PERIOD RECLASSIFICATION

During the current year the Organization determined that a contribution in a prior year had been incorrectly reported as temporarily restricted net assets and this amount was reclassified as permanently restricted net assets. This change did not impact prior year earnings or any other account balances.

NOTE D – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2012:

Checking	\$	6,680
Money market accounts		<u>246,751</u>
	\$	<u>253,431</u>

NOTE E – FURNISHINGS AND EQUIPMENT

Major classes of furnishings and equipment consist of the following at December 31, 2012:

Furniture and equipment	\$	4,040
Less accumulated depreciation		<u>(3,336)</u>
	\$	<u>704</u>

Depreciation expense was \$668 for the year ended December 31, 2012.

NOTE F – INVESTMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent resources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level I: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level II: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level III: Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

GREEN EMPOWERMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

NOTE F – INVESTMENTS, Continued

The following table sets forth carrying amounts and estimated fair values for financial instruments at December 31, 2012:

	Level I	Level II	Level III	Total
Government bonds	\$ 300,241	\$ -	\$ -	\$ 300,241
Money market and cash funds	18,292	-	-	18,292
Fixed income funds	<u>233,010</u>	<u>-</u>	<u>-</u>	<u>233,010</u>
 Total investments	 \$ <u>551,543</u>	 \$ <u>-</u>	 \$ <u>-</u>	 \$ <u>551,543</u>

A significant portion of the investment balance includes a \$500,000 contribution that was permanently restricted as a reserve fund and to fund a position at the Organization. The agreement indicates that the Organization may use investment gains and any use of principal amounts will be repaid in the following year. All uses of funds from the restricted funds are approved by a trustee.

The following table summarizes investment income for the year ended December 31, 2012:

Interest and dividends	21,697
Net unrealized gain on investments	16,310
Fees	<u>(2,603)</u>
	 \$ <u>35,404</u>

NOTE G – LEASE

The Organization leases office space under a month-to-month operating lease agreement. The agreement requires monthly payments of \$1,000. Rent expense for the year ended December 31, 2012 was \$12,000.

NOTE H– SUBSEQUENT EVENTS

The Organization did not have any subsequent events through April 22, 2013, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2012.