To the Board of Directors
Energy Solutions Center, Inc.
Washington, D.C

In planning and performing our audit of the financial statements of Energy Solutions Center, Inc. (the Center) as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting (internal control) as a basis for designing our auditing procedures, 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of the Center's internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the Center's internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in the Center's internal control that we consider to be significant deficiencies.

A deficiency in the Center's 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 combination of deficiencies in the Center's internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in the Center's internal control that we consider to be material weaknesses.

PRIOR YEAR SIGNIFICANT DEFICIENCIES WITH CURRENT YEAR STATUS

A significant deficiency is a deficiency, or a combination of deficiencies, in the Center's internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Center's internal control to be significant deficiencies:

Reconciliation of Assets and Liabilities

2020 Comment: At the commencement of our audit fieldwork, we noted that several asset and liability accounts were not properly reconciled as of December 31, 2020. There were several accounts that were not kept up to date during the year and schedules that were not properly updated to reflect balances. In addition, some prior audit entries were not posted correctly or not posted at all. This caused issues with ending balances not reflecting the correct balance. Because of this, numerous adjustments were posted to the preliminary trial balance. We believe this practice could result in unreliable internal financial information throughout the year, and also represents a deficiency in internal controls.

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Accordingly, we recommend that all asset and liability accounts be reconciled on a regular basis (i.e. monthly), and especially before the start of the audit. This process should result in the prevention of, or timely detection of errors, omissions, and misappropriation of funds. We also recommended that the deferred account training schedule and investments be prepared and updated on a regular basis. These procedures should be formalized in writing.

Current Year Status: We noted that there continued to be reconciliation issues with investments and no adjustment was recorded to properly reflect the year end value of the Duke Energy premier notes account. An investment reconciliation was prepared, but there were errors in the reconciliation and no adjusting entries related to investments had been posted throughout the year. The investment accounts should be updated on a monthly basis for investment earnings and issues with the reconciliation should be addressed during the year rather than during the audit. The Duke Energy premier notes account should be adjusted for interest earned on a monthly or quarterly basis prior to the start of the audit. We encourage the Center to follow its financial policy regarding monthly investment reconciliation, review and approval.

Revenue Recognition

2019 Comment: FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09), establishing a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The implementation of the standard was required for the Center's fiscal year ended December 31, 2019.

At the commencement of the audit, we noted that the Center did not perform required analysis of the revenue streams during the fiscal year. Although the adoption of the standard did not result in any significant changes in the way the Center recognizes revenue, implementation could have potentially resulted in material adjustments to the financial statement at the time of the audit.

Additionally, the audit disclosed that recognition of Account Rep Training revenue was being completed at the time of payment rather than over the three year subscription period. The correction of this error resulted in a prior period adjustment to beginning net assets at January 1, 2019, of approximately $206,000.

We strongly recommend that the Center update the financial policies and procedures manual during the upcoming fiscal year, ensuring each stream of revenue is supported by defined performance obligations and policies procedures on timing of revenue recognition.

Current Year Status: We noted that there continued to be errors in recording consortium revenue and expenses. As a result, during the 2022 audit, we proposed several adjustments. In addition, we also proposed an adjustment to Account Rep Training revenue. We encourage the Center to review the schedule of consortium revenue and expense and the schedule of Account Rep Training revenue to ensure the revenue has been properly recognized prior to the start of the audit.

This communication is intended solely for the information and use of the Board of Directors, management and others within Energy Solutions Center, Inc., and is not intended to be, and should not be, used by anyone other than these specified parties.

Gelman Rosenberg & Freedman

April 11, 2023

CPAs & ADVISORS

April 11, 2023

To the Board of Directors
Energy Solutions Center, Inc.
Washington, D.C.

We have audited the financial statements of Energy Solutions Center, Inc. (the Center) as of and for the year ended December 31, 2022, and have issued our report thereon dated April 11, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 30, 2023. Professional standards also require that we communicate to you the following information related to our audit.

- **Qualitative Aspects of Accounting Practices**

  Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Center are described in Note 1 to the financial statements.

  During the year ended December 31, 2022, the Center adopted Accounting Standards Update (ASU) 2019-01, *Leases* (Topic 842), which changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU was applied at January 1, 2022, using a modified retrospective approach.

  No other accounting policies were adopted and the applications of existing policies were not changed during the year ended December 31, 2022. We noted no transactions entered into by the Center during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

  ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), has not yet been adopted as of December 31, 2022. The ASU replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Center for the year ending December 31, 2023, but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

  Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the financial statements was a) management's estimate of calculation of the present value of lease payments which was determined using a risk free rate; and b) management's estimate of the allocation of expenses to programs, which is based on an allocation of the estimated time spent on each program. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent and clear.

- **Difficulties Encountered in Performing the Audit**

  We encountered no significant difficulties in dealing with management in performing and completing our audit.

- **Corrected and Uncorrected Misstatements**

  Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

  As a result of audit procedures, we detected certain material misstatements and proposed eight adjusting journal entries that decreased net assets by $592,685. The most significant of these adjustments was the entry to properly record investments at fair value along with the related investment activity, which decreased net assets by $592,639.

  We also identified one uncorrected misstatement of the financial statements. Management has determined that its effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatement or the matters underlying it could potentially cause future financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit. If it had been recorded, the uncorrected misstatement would have increased beginning net assets and decreased 2022 interest income by $2,878.

- **Disagreements with Management**

  For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

- **Management Representations**

  We have requested certain representations from management that are included in the management representation letter dated April 11, 2023.

- **Management Consultations with Other Independent Accountants**

  In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

- **Other Audit Findings or Issues**

  We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- **Independence and Non-Audit Services Provided by Audit Firm**

  In accordance with professional standards, during the fiscal year and currently, all members of our firm were independent with respect to the Center.

  During the fiscal year under audit, we provided corporate tax preparation services (IRS Form 990) and additional tax advice. We also assisted with the calculation of the operating lease liability related to the adoption of ASU 2019-01, *Leases* (Topic 842). All other time and expenses incurred by us were in connection with our annual audit.

This information is intended solely for the use of the Board of Directors, Audit Committee, management and others within Energy Solutions Center, Inc., and is not intended to be, and should not be, used by anyone other than these specified parties.

Gelman Rozenberg & Freedman

April 11, 2023

FINANCIAL STATEMENTS

ESC
Energy Solutions Center

FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021

ENERGY SOLUTIONS CENTER, INC.

CONTENTS

CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Energy Solutions Center, Inc.
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Energy Solutions Center, Inc. (the Center), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2022, and the change 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Center'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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.

Report on Summarized Comparative Information

We have previously audited the Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

April 11, 2023

ENERGY SOLUTIONS CENTER, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS

	2022	2021
Cash and cash equivalents	$ 266,081	$ 411,694
Investments	3,766,326	4,428,573
Accounts receivable	30,745	36,832
Accrued interest	11,582	11,825
Prepaid expenses	6,750	27,024
Operating lease right-of-use-asset, net	128,210	-
TOTAL ASSETS	**$ 4,209,694**	**$ 4,915,948**

LIABILITIES AND NET ASSETS

	2022	2021
LIABILITIES		
Accounts payable and accrued liabilities	$ 75,819	$ 57,294
Deferred revenue:		
Consortia	963,055	1,168,035
Membership dues	424,185	499,070
Program and other revenue	126,569	175,921
Operating lease liability, net	128,210	-
Total liabilities	1,717,838	1,900,320
NET ASSETS		
Without donor restrictions:		
Undesignated	2,311,856	2,835,628
Board designated	180,000	180,000
Total net assets without donor restrictions	2,491,856	3,015,628
TOTAL LIABILITIES AND NET ASSETS	**$ 4,209,694**	**$ 4,915,948**

ENERGY SOLUTIONS CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	Without Donor Restrictions	
	2022	2021
REVENUE		
Membership dues	$ 993,494	$ 980,423
Consortia revenue	662,004	404,336
Program revenue	224,558	187,065
Interest and dividends, net	80,251	78,132
Other revenue	3,945	22,505
Total revenue	1,964,252	1,672,461
EXPENSES		
Program Services	1,664,134	1,415,116
General and Administrative	155,861	198,975
Total expenses	1,819,995	1,614,091
Change in net assets before other item	144,257	58,370
OTHER ITEM		
Realized and unrealized (loss) gain on investments	(668,029)	148,650
Change in net assets	(523,772)	207,020
Net assets at beginning of year	3,015,628	2,808,608
NET ASSETS AT END OF YEAR	**$ 2,491,856**	**$ 3,015,628**

See accompanying notes to financial statements.

ENERGY SOLUTIONS CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022							2021
	Program Services							
	Consortia	Technology & Market Assessment Forums	Other Programs	Publications	Total Program Services	General and Administrative	Total Expenses	Total Expenses
Consultants	$ 680,376	$ 38,272	$ -	$ 18,962	$ 737,610	$ 30,994	$ 768,604	$ 541,083
Salaries and benefits	120,998	168,695	191,643	110,263	591,599	92,913	684,512	855,206
Meetings	-	168,564	5,810	-	174,374	-	174,374	23,459
Occupancy	6,224	8,678	9,859	5,672	30,433	4,780	35,213	35,213
Accounting	5,197	7,246	8,231	4,736	25,410	3,991	29,401	23,000
Printing and postage	-	-	-	25,500	25,500	-	25,500	50,218
Marketing	-	-	23,987	-	23,987	-	23,987	-
Administrative fees	3,743	5,219	5,929	3,411	18,302	2,874	21,176	26,545
Bank fees	2,750	3,835	4,357	2,507	13,449	2,112	15,561	11,378
Website and technology	-	-	14,839	-	14,839	-	14,839	16,750
Printing and postage	-	-	-	-	-	10,575	10,575	8,901
Telephone and internet	880	1,226	1,393	802	4,301	675	4,976	5,739
Insurance	716	998	1,134	652	3,500	550	4,050	4,198
Other	-	-	830	-	830	2,029	2,859	1,929
Professional development	-	-	-	-	-	1,994	1,994	2,657
Legal fees	-	-	-	-	-	1,450	1,450	6,727
Travel	-	-	-	-	-	645	645	445
Office supplies	-	-	-	-	-	279	279	643
TOTAL	**$ 820,884**	**$ 402,733**	**$ 268,012**	**$ 172,505**	**$ 1,664,134**	**$ 155,861**	**$ 1,819,995**	**$ 1,614,091**

See accompanying notes to financial statements.

ENERGY SOLUTIONS CENTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (523,772)	$ 207,020
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Realized and unrealized loss (gain) on investments	668,029	(148,650)
Amortization of operating lease right-of-use asset, net	33,469	
Establish operating lease right-of-use asset	(161,168)	-
Establish operation lease liability	161,168	-
Decrease (increase) in:		
Accounts receivable	6,087	5,062
Accrued interest	243	(5,899)
Prepaid expenses	20,274	(4,468)
Increase (decrease) in:		
Accounts payable and accrued liabilities	18,525	(6,872)
Deferred revenue	(329,217)	(134,086)
Operating lease liability	(33,469)	-
Net cash used by operating activities	(139,831)	(87,893)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net	(5,782)	(99,730)
Net cash used by investing activities	(5,782)	(99,730)
Net decrease in cash and cash equivalents	(145,613)	(187,623)
Cash and cash equivalents at beginning of year	411,694	599,317
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 266,081**	**$ 411,694**
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Right-of-Use-Asset	**$ 161,168**	**$ -**
Operating Lease Liability for Right-of-Use Asset	**$ 161,168**	**$ -**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Energy Solutions Center, Inc. (the Center) is a non-profit organization, incorporated in the State of Delaware and located in Washington, D.C. The Center's members include energy utilities and equipment manufacturers that promote energy efficient natural gas solutions and systems for use by residential, commercial, and industrial energy users. The Center creates educational and marketing materials, case studies, training manuals, decision analysis software, and other tools and resources designed to enhance the success of those utility customer service professionals responsible for enhancing customer productivity, efficiency, reliability and comfort.

Program Services -

The Center's program services descriptions are as follows:

Consortia: The Center’s success is based on the development of market-focused “consortia” consisting of energy utilities, equipment manufacturers and vendors, and trade allies that work together to bring natural gas solutions to specific customer segments. The member-driven consortia are the primary mechanism by which value and benefit are brought to the Center’s membership.

Technology & Market Assessment Forums: The Center’s Technology & Market Assessment Forums are a high sought-after opportunity for equipment manufacturers and vendors of new gas equipment and related systems to educate North American utilities about new gas solutions and to propose innovative marketing partnerships.

Other Programs: The Center builds partnerships between utilities and equipment manufacturers and vendors that create more effective ways to deliver improved energy solutions to residential, commercial, and industrial customers. The Center also facilitates and manages demonstrations of new, energy efficient equipment at customer locations throughout North America. The Center educates and trains both utility staff and energy customers about the role natural gas can play in meeting customer efficiency, conservation, and environmental goals and objectives.

Publications: The Center produces three customer magazines Gas Technology, Energy Solutions for Commercial Buildings, and Natural Living which highlight new applications of gas equipment and systems for the industrial, commercial, and residential markets respectively.

Supporting Service -

The Center's supporting service description is as follows:

General and Administrative: The general and administrative service includes the activities necessary to secure proper administrative functioning of the Center's governing bodies, maintain the work environment for employees, and manage the financial responsibilities.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entitie*s. Accordingly, net assets are reported as follow:

- **Net Assets Without Donor Restrictions -** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Basis of presentation (continued) -

- **Net Assets Without Donor Restrictions (continued) -** Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions. Board designated net assets include $180,000 for the deductible portion of liability insurance claims. These funds represent amounts that the Board has determined to be retained in reserve. The Board has the right to decide at any time to undesignated these funds.

- **Net Assets With Donor Restrictions -** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service. For the year ended December 31, 2022, the Center did not have any net assets with donor restrictions.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New accounting pronouncement adopted -

On January 1 2022, the Center adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. The Center applied the new standard at the date of initial application and also the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 5 for further details.

Cash and cash equivalents -

The Center considers all highly liquid investments with maturities of three months or less, which are not part of the investment portfolio to be cash and cash equivalents. Money market funds held by investment managers totaled $250,896 for the year ended December 31, 2022. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a limit of $250,000. At times during the year, the Center maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest and dividends are shown net of expenses. Realized and unrealized (loss) gain on investments is recorded as an other item in the accompanying Statement of Activities and Change in Net Assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Accounts receivable -

Accounts receivable primarily related to program revenue, which is recorded at net realizable value. Customer balances are expected to be collected within one year and management considers all amounts to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Income taxes -

The Center is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code and is only subject to tax on unrelated business activities, such as advertising, that are regularly carried on. However, there were no such taxable activities during the year ended December 31, 2022. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Uncertain tax positions -

For the year ended December 31, 2022, the Center has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue recognition -

Membership dues, consortia and program revenue are considered to be exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*, and are recorded as revenue when the performance obligations have been met. The Center has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue.

Membership dues: Membership dues includes general member benefits that are a series of distinct obligations. Membership dues revenue is recognized ratably over the applicable membership period. Members receive several benefits that are individual distinct obligations, such as discounted rates to conferences and meetings. However, these benefits are immaterial to the overall contract with the customer and, as a result, are included as part of general member benefits.

Consortia: The consortia consist of several events and work groups that are run by members of the Center. The members will pay a fee related to their participation in various consortia which is recognized as deferred revenue when received. The Center monitors the activities of each consortium and are responsible for tracking the related expenses. Ultimately, the Center has the final say on consortia expenses. As a result, consortia revenue paid by members is recognized as direct expenses are incurred (allocated indirect expenses are not a factor in Consortia revenue recognition). Amounts received but not yet expended remain in deferred revenue at year-end.

Program revenue: Program revenue includes various trainings, sponsorships and registration for Technology & Market Assessment Forums (TMAF), workshops and seminars, and publications income. Program revenue is recognized over the period in which the performance obligations are met. Most performance obligations are met within one year. However, account rep training revenue is recognized ratably over a three year period. Program revenue received prior to meeting related performance obligations is recorded as deferred revenue.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue recognition (continued) -

Program revenue (continued): The desegregation of program revenue is as follows for the year ended December 31, 2022:

Account Rep Training	$ 97,488
TMAF Registration Fees	40,073
Workshops and Seminars	35,361
Publications Income	30,460
Management Development Training Programs	21,176
TOTAL PROGRAM REVENUE	**$ 224,558**

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various program and supporting services activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services that benefited. Expenses directly attributable to a specific functional area are recorded as direct expenses and indirect expenses that benefited more than one functional area have been allocated based on estimated employee time and effort.

Risks and uncertainties -

The Center invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

The Center follows the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Center accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements or disclosures have been reclassified to conform to the current year's presentation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncement not yet adopted -

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Center for the year ending December 31, 2023, but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach. The Center plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, the Center has categorized it financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Center has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended December 31, 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Corporate bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Center are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Center are deemed to be actively traded.

2. INVESTMENTS (Continued)

- *U.S. Government obligations* - Valued at the closing price reported in the active market in which the individual securities are traded.
- *Money market funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Corporate bonds	$ 1,058,274	$ -	$ -	$ 1,058,274
Equities	948,327	-	-	948,327
Mutual funds	1,252,589	-	-	1,252,589
U.S. Government obligations	256,240	-	-	256,240
Money market funds	250,896	-	-	250,896
TOTAL INVESTMENTS	**$ 3,766,326**	**$ -**	**$ -**	**$ 3,766,326**

Net investment return consisted of the following for the year ended December 31, 2022:

Interest and dividends	$ 115,200
Investment fees	(34,949)
Interest and dividends, net	80,251
Realized and unrealized loss on investments	(668,029)
NET INVESTMENT RETURN	**$ (587,778)**

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of its liquidity management, the Center has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Center invests cash in excess of daily requirements in short-term investments. Occasionally, the Board designates a portion of operating surplus to the liquidity reserve, which was $180,000 as of December 31, 2022. The liquidity reserve fund was established by the Board of Directors and may be drawn upon in the event of financial distress or immediate liquidity need resulting from unusual events that put a strain on the Center's cash flows.

Financial assets available for general expenditures within one year of the Statement of Financial Position are as follows as of December 31, 2022:

Cash and cash equivalents	$ 266,081
Investments	3,766,326
Accounts receivable	30,745
Accrued interest	11,582
Subtotal financial assets available within one year	4,074,734
Less: Board designated funds	(180,000)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 3,894,734**

4. RETIREMENT PLAN

The Center provides retirement benefits to its employees through a defined contribution plan covering all eligible employees. The Center matches 100% of employee deferrals up to the first 6% of compensation. The Center's contributions to the Plan totaled $32,818 during the year ended December 31, 2022.

5. COMMITMENTS AND CONTINGENCIES

Operating lease: Effective October 1, 2021, the Center signed an agreement with American Gas Association (AGA) which terminates on September 30, 2026. The agreement with AGA includes both administrative costs and occupancy costs. In relation to the agreement, the Center paid administrative costs to AGA totaling $21,176 for the year ended December 31, 2022. In accordance with the terms of the agreement, the Center leases office space from AGA based on total square footage occupied. Monthly base rent is $2,934 throughout the entire term of the agreement. The Center paid occupancy costs to AGA totaling $35,213 for the year ended December 31, 2022.

Effective January 1 2022, the Center adopted ASU 2019-01, *Leases* (Topic 842). The Center elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. The Center also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The Center adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, the Center recorded an operating lease right-of-use asset totaling $161,168 and an operating lease liability totaling $161,168 at January 1, 2022. These implementation date amounts were determined by calculating the present value of all future rentals using a risk free rate of 1.54% as the discount rate.

The operating lease right-of-use asset totaled $128,210 as of December 31, 2022 and the operating lease liability totaled $128,210 as of December 31, 2022.

Year Ending December 31,	
2023	$ 35,208
2024	35,208
2025	35,208
2026	26,406
	132,030
Less: imputed interest	(3,820)
LEASE LIABILITY	**$ 128,210**

Hotel agreements: The Center is committed to various hotel properties under agreements for conference space through the year 2023. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increase through the date of the event.

6. CONSORTIA

Consortia revenue typically equals the direct consortia expenses. Indirect expenses allocated to the consortia program are not considered when recognizing consortia revenue. Without receiving any related revenue, the Center paid direct consortia expense totaling $4,150 for the year ended December 31, 2022.

Consortia revenue consisted of the following programs for the year ended December 31, 2022:

IBS Consortium	$ 299,569
Blue Flame Alliance	209,137
Carbon Reduction	62,700
Natural Living Publications	47,981
IMAC	35,217
Residential Burner	3,450
DG Consortium	1,625
Commercial Building	1,200
Multifamily	1,125
CONSORTIA TOTAL	**$ 662,004**

7. SUBSEQUENT EVENTS

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through April 11, 2023, the date the financial statements were issued.