

Dollar Energy Fund, Inc.

Financial Statements

For the Years Ended September 30, 2017 and
2016 with Independent Auditor's Report

MaherDuessel

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DOLLAR ENERGY FUND, INC.

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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Independent Auditor's Report

**Board of Directors
Dollar Energy Fund, Inc.**

We have audited the accompanying financial statements of Dollar Energy Fund, Inc. (DEF) (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, 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. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the DEF as of September 30, 2017 and 2016, 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.

Mahe Duessel

Pittsburgh, Pennsylvania
December 14, 2017

DOLLAR ENERGY FUND, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 5,957,936	\$ 5,386,810
Investments	2,032,000	1,324,093
Accounts receivable	684,695	680,515
Contributions receivable	2,376,660	3,612,287
Other restricted assets	306,341	274,755
Property and equipment, net	732,446	728,008
Total Assets	\$ 12,090,078	\$ 12,006,468
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 129,002	\$ 248,827
Accrued liabilities	216,580	193,267
Deferred revenue	-	175,105
Total Liabilities	345,582	617,199
Net Assets:		
Unrestricted	5,955,001	5,518,635
Temporarily restricted	5,789,495	5,870,634
Total Net Assets	11,744,496	11,389,269
Total Liabilities and Net Assets	\$ 12,090,078	\$ 12,006,468

See accompanying notes to financial statements.

DOLLAR ENERGY FUND, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
<hr/>			
Support and revenues:			
Contributions from customers	\$ 1,323,258	\$ -	\$ 1,323,258
Corporate support	-	4,892,835	4,892,835
Contract revenue	9,260,867	-	9,260,867
Investment income	221,027	-	221,027
Donated services and facilities	235,569	-	235,569
Foundation grants	3,094	-	3,094
Government grants	-	80,000	80,000
Special events	386,930	-	386,930
Other grants and contributions	3,243	-	3,243
Other income	18,840	-	18,840
	<hr/>	<hr/>	<hr/>
Total support and revenues	11,452,828	4,972,835	16,425,663
Net assets released from restrictions:			
Satisfaction of program and time restrictions	5,053,974	(5,053,974)	-
	<hr/>	<hr/>	<hr/>
Total revenues	16,506,802	(81,139)	16,425,663
	<hr/>	<hr/>	<hr/>
Expenses:			
<hr/>			
Program	14,472,251	-	14,472,251
Management and general	807,277	-	807,277
Fundraising	790,908	-	790,908
	<hr/>	<hr/>	<hr/>
Total expenses	16,070,436	-	16,070,436
	<hr/>	<hr/>	<hr/>
Change in Net Assets	436,366	(81,139)	355,227
Net Assets:			
<hr/>			
Beginning of year	5,518,635	5,870,634	11,389,269
	<hr/>	<hr/>	<hr/>
End of year	\$ 5,955,001	\$ 5,789,495	\$ 11,744,496
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See accompanying notes to financial statements.

DOLLAR ENERGY FUND, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
<hr/>			
Support and revenues:			
Contributions from customers	\$ 1,637,342	\$ -	\$ 1,637,342
Corporate support	20,000	4,241,243	4,261,243
Contract revenue	10,030,117	-	10,030,117
Investment income	117,504	-	117,504
Donated services and facilities	128,915	-	128,915
Foundation grants	-	-	-
Government grants	-	80,000	80,000
Special events	344,880	-	344,880
Other grants and contributions	2,202	-	2,202
Other income	17,077	-	17,077
	<hr/>	<hr/>	<hr/>
Total support and revenues	12,298,037	4,321,243	16,619,280
Net assets released from restrictions:			
Satisfaction of program and time restrictions	5,630,679	(5,630,679)	-
	<hr/>	<hr/>	<hr/>
Total revenues	17,928,716	(1,309,436)	16,619,280
	<hr/>	<hr/>	<hr/>
Expenses:			
<hr/>			
Program	16,322,374	-	16,322,374
Management and general	882,257	-	882,257
Fundraising	606,345	-	606,345
	<hr/>	<hr/>	<hr/>
Total expenses	17,810,976	-	17,810,976
	<hr/>	<hr/>	<hr/>
Change in Net Assets	117,740	(1,309,436)	(1,191,696)
Net Assets:			
<hr/>			
Beginning of year	5,400,895	7,180,070	12,580,965
	<hr/>	<hr/>	<hr/>
End of year	\$ 5,518,635	\$ 5,870,634	\$ 11,389,269
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See accompanying notes to financial statements.

DOLLAR ENERGY FUND, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ 355,227	\$ (1,191,696)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gain) loss on investments	(117,347)	(43,695)
Depreciation	287,206	234,940
Change in:		
Accounts receivable	(4,180)	(86,804)
Contributions receivable	1,235,627	9,393
Other restricted assets	(31,586)	11,259
Accounts payable	(119,825)	(303,464)
Accrued liabilities	23,313	(57,857)
Deferred revenue	(175,105)	175,105
Net cash provided by (used in) operating activities	1,453,330	(1,252,819)
Cash Flows From Investing Activities:		
Purchases of property and equipment	(291,644)	(369,528)
Purchases of investments	(590,560)	(462,374)
Net cash provided by (used in) investing activities	(882,204)	(831,902)
Net Increase (Decrease) in Cash and Cash Equivalents	571,126	(2,084,721)
Cash and Cash Equivalents:		
Beginning of year	5,386,810	7,471,531
End of year	\$ 5,957,936	\$ 5,386,810

See accompanying notes to financial statements.

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

1. Organization

Dollar Energy Fund, Inc. (DEF), founded in 1983, is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The mission of the DEF is to improve the quality of life for households experiencing hardships by providing utility assistance and other services that lead to self-sufficiency. Based in Pittsburgh, Pennsylvania, the DEF collaborates with utility companies throughout the states of Pennsylvania, Ohio, Tennessee, Virginia, West Virginia, Maryland, Texas, Louisiana, Arkansas, California, Kentucky, and Connecticut. In addition, the DEF partners with approximately 489 community-based organizations and other non-profit organizations in delivering services in the community.

The DEF support comes primarily from donations by utility companies and their customers, along with fees for service agreements, to provide customer choice education programs, customer assistance programs, and administration of weatherization programs.

All donations to the DEF's Hardship Program are matched dollar-for-dollar by the DEF's partnering utility companies. Contributions can be made to the DEF through direct donations, through the partnering utilities' monthly bills, or electronically on the DEF's website, www.dollarenergy.org.

The DEF administers payment assistance, consumer education, payment counseling, weatherization, and conservation programs for gas, electric, water, and telephone utility companies. The DEF also provides call center services. The DEF's state-of-the-art call center allows the DEF to provide quality customer service and detailed reporting.

The DEF also offers technology solutions to program administrators through iPartner, a web-based software solution that was invented by the DEF. This software combines elements of tracking and information management systems to connect users, track application processes, and generate real-time statistical reports. iPartner significantly decreased administration costs and increased efficiency for the DEF's Hardship Program. iPartner is currently being used by utility companies, agencies, and hardship funds in multiple states.

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Under accounting principles generally accepted in the United States of America, the DEF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Assets

The DEF classifies resources for accounting and reporting purposes into separate net asset classes based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories. A description of the DEF's net asset categories is as follows:

Unrestricted Net Assets - Unrestricted net assets are net assets that are not subject to donor imposed restrictions or stipulations as to purpose or use.

Temporarily Restricted Net Assets - Net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the DEF pursuant to those stipulations.

Permanently Restricted Net Assets - Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. The DEF currently has no permanently restricted net assets.

The DEF reports gifts of cash and other assets as restricted if they are received with donor-imposed restrictions or stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Cash and Cash Equivalents

For purposes of the statements of cash flows, the DEF considers all interest-bearing money market funds and non-interest-bearing accounts to be cash or cash equivalents. The DEF maintains, at various financial institutions, cash and cash equivalents that may periodically exceed federally insured limits. As of September 30, 2017 and 2016, \$5,502,610 and \$4,770,048, respectively, of the DEF's bank balance as it related to cash and cash equivalents was uninsured. To mitigate risk for the uninsured funds, this cash is maintained in a sweep account that is collateralized by the financial institution in Federal Home Loan Mortgage Company securities. Management has no concerns about the insolvency of the financial institutions involved at this time.

Accounting Estimates

The preparation of financial statements in conformity with the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Internal Revenue Service has determined the DEF to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and further is classified as an organization which is not a private foundation. Further, the DEF annually files a Form 990 and Form 990T as applicable. Management asserts that they have no uncertain tax positions requiring the establishment of a liability or disclosure in the financial statements.

The DEF is duly registered as a charitable organization with the Department of State, Commonwealth of Pennsylvania. In addition, the DEF is registered as a charitable organization with the State of Ohio, the State of Tennessee, the Commonwealth of Virginia, the State of West Virginia, the State of Maryland, and the State of Connecticut. Also, the DEF is an active charitable organization in the State of Texas, the State of Arkansas, the State of Louisiana, the State of California, and the State of Kentucky. These states do not require the DEF to register as a charitable organization.

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Property and Equipment

Purchased property and equipment are recorded at cost. Asset acquisitions with a useful life expectancy greater than one year and with a cost of \$500 or greater are capitalized by the company and depreciated. Donations of property and equipment are recorded as support at their estimated fair value. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. Gains or losses from the retirement or other disposition of assets are included in income. Depreciation is provided on the straight-line method over the estimated useful lives. Depreciation expense was \$287,206 and \$234,940 for the years ended September 30, 2017 and 2016, respectively.

Contributed Services and Facilities

Under accounting principles generally accepted in the United States of America, the DEF recognizes services requiring specialized skills such as those provided by accountants, attorneys, marketing consultants, and other professionals if the services would need to be purchased if not donated. Services received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of receipt. The amount of such donated services was \$222,535 for the year ended September 30, 2017 and \$37,545 for the year ended September 30, 2016.

In addition, the use of certain facilities is donated to DEF and values are assigned to such contributions based on rates commensurate with the space provided. The amount of such donated facilities was \$13,034 for the year ended September 30, 2017 and \$91,370 for the year ended September 30, 2016.

Fair Value Measurements

The DEF applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The DEF defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the DEF considers the principal or most advantageous market in which they would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

The DEF applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 - Observable inputs such as quoted prices in active markets for identical investments that the DEF has the ability to access.

Level 2 - Inputs include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in inactive markets;
- c. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly;
- d. Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 - Unobservable inputs in which there is little or no market activity for the asset or liability, which require the reporting entity to develop its own estimates and assumptions relating to the pricing of the asset or liability including assumptions regarding risk.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments are recorded at fair value in the statements of financial position within the fair value hierarchy. Unrealized gains and losses are included in net assets in the accompanying statements of activities.

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

The total returns on investments and cash equivalents for the years ended September 30, 2017 and 2016 are summarized as follows:

	2017 Unrestricted	2016 Unrestricted
Interest on cash and cash equivalents	\$ 15,102	\$ 11,434
Dividend income	88,578	62,375
Total interest and dividend income	103,680	73,809
Unrealized gain (loss)	117,347	43,695
Investment gain (loss) recognized	\$ 221,027	\$ 117,504

Fair values of assets measured on a recurring basis as of September 30, 2017 and 2016 are as follows:

Description	09/30/17	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Term bond funds	\$ 372,104	\$ 372,104	\$ -	\$ -
Growth funds	439,404	439,404	-	-
Short-term bond funds	366,490	366,490	-	-
Blend funds	424,431	424,431	-	-
Value funds	429,571	429,571	-	-
Totals	\$ 2,032,000	\$ 2,032,000	\$ -	\$ -

Description	09/30/16	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Term bond funds	\$ 213,943	\$ 213,943	\$ -	\$ -
Growth funds	275,367	275,367	-	-
Short-term bond funds	295,928	295,928	-	-
Blend funds	271,478	271,478	-	-
Value funds	267,377	267,377	-	-
Totals	\$ 1,324,093	\$ 1,324,093	\$ -	\$ -

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Accounts Receivable

Accounts receivable are recorded at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The DEF does not currently recognize or accrue interest on any unpaid receivable balance. Management has determined that no allowance for doubtful accounts was necessary for the years ended September 30, 2017 and 2016.

Deferred Revenue

Deferred revenue represents revenue received for contracted services which have not been earned as of fiscal year end. There was no deferred revenue at September 30, 2017. As of September 30, 2016, deferred revenue related to the Appalachian Power Virginia kit program.

Compensated Absences

Employees are entitled to paid time off which accumulate if unused. DEF recognizes the expense and related liability when earned by the employees. Compensated absences of \$130,005 and \$123,946 at September 30, 2017 and 2016, respectively, are recorded as accrued liabilities in the statements of financial position.

Contributions and Contributions Receivable

Contributions are recognized as revenue when they are received or unconditionally pledged. The DEF records corporate matching support as a revenue and as a receivable when the DEF receives the commitment from the utility companies. The DEF expects all contributions receivable to be collected and has, therefore, not created an allowance for doubtful accounts.

Contributions receivable at September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Contributions receivable in less than one year	<u>\$ 2,376,660</u>	<u>\$ 3,612,287</u>

Due to the short-term nature of the expected receivables, the net realizable value is considered a reasonable estimate of their fair value. Receivables that are expected to be

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

collected in a future year are not discounted as the discount is deemed to be immaterial to the financial statements.

Corporate Support

Corporate support revenue as of September 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Corporate support from utility companies	\$ 4,892,835	\$ 4,097,493
Corporate grants	-	20,000
Telephone assistance funding	-	143,750
	<u>\$ 4,892,835</u>	<u>\$ 4,261,243</u>

Contract Revenue

Contract revenue consists of exchange transactions with utility companies. Contracts relate to home check up programs, weatherization programs, appliance replacement programs, customer assistance programs, payment counseling programs, and other educational programs.

Risks and Uncertainties

Financial instruments, which potentially expose the DEF to concentrations of credit risk, include cash and investments in marketable securities. As a matter of policy, the DEF maintains cash balances only with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by the overall diversification of managed investment portfolios. Investment securities are also exposed to various other risks such as interest rate and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near-term and that such change could materially affect the amount reported on the statements of financial position.

Any of the DEF's funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the DEF with the terms of the grants or contracts. Management is unaware of any instances of non-compliance with grant or contract terms. Unspent matching funds and credits of \$193,948 and \$0 were returned in fiscal years ending September 30, 2017 and 2016, respectively.

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Other Restricted Assets

Other restricted assets consist of credits provided by the utility companies instead of providing cash to the DEF. Some of the utility companies keep the cash in house and will issue credits to the customers' bills relating to grant awards provided to the DEF. Therefore, cash does not change hands. As of September 30, 2017 and 2016, other restricted assets were \$306,341 and \$274,755, respectively.

Property and Equipment

Property and equipment consisted of the following at September 30, 2017:

	<u>9/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2017</u>
Leasehold improvements	\$ 1,397,218	\$ 142,485	\$ -	\$ 1,539,703
Furniture	340,026	74,528	-	414,554
Equipment	<u>733,977</u>	<u>74,631</u>	<u>(56,757)</u>	<u>751,851</u>
	2,471,221	291,644	(56,757)	2,706,108
Less - accumulated depreciation and amortization	<u>(1,743,213)</u>	<u>(287,206)</u>	<u>56,757</u>	<u>(1,973,662)</u>
Property and equipment	<u>\$ 728,008</u>	<u>\$ 4,438</u>	<u>\$ -</u>	<u>\$ 732,446</u>

Additions of \$291,644 during 2017 consisted of the following:

Renovation and office expansion	\$ 142,485
Office furniture and equipment	<u>149,159</u>
	<u>\$ 291,644</u>

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Property and equipment consisted of the following at September 30, 2016:

	<u>9/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2016</u>
Leasehold improvements	\$ 1,221,526	\$ 175,692	\$ -	\$ 1,397,218
Furniture	230,684	109,342	-	340,026
Equipment	<u>787,786</u>	<u>84,494</u>	<u>(138,303)</u>	<u>733,977</u>
	2,239,996	369,528	(138,303)	2,471,221
Less - accumulated depreciation and amortization	<u>(1,646,576)</u>	<u>(234,940)</u>	<u>138,303</u>	<u>(1,743,213)</u>
Property and equipment	<u>\$ 593,420</u>	<u>\$ 134,588</u>	<u>\$ -</u>	<u>\$ 728,008</u>

Additions of \$369,528 during 2016 consisted of the following:

Renovation and office expansion	\$ 175,692
Office furniture and equipment	<u>193,836</u>
	<u>\$ 369,528</u>

Reclassifications

Certain reclassifications have been made to the statement of activities for the year ended September 30, 2016 to conform to the current year's presentation.

Pending Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities," which aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: government body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment. The changes in the standard are effective for annual financial

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

statements issued for fiscal years beginning after December 15, 2017. The DEF is in the process of determining the impact of the adoption of this guidance on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *“Leases (Topic 842),”* which is intended to increase transparency and comparability among entities that enter into leasing arrangements. This ASU requires recognition of lease assets and lease liabilities on the balance sheet for nearly all leases (other than short-term leases), as well as a retrospective recognition and measurement of existing impacted leases. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2019. The new standard is required to be applied with a modified retrospective approach to each prior reporting period with various optional practical expedients. The DEF is in the process of determining the impact of the adoption of this guidance on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *“Revenue from Contracts with Customers,”* which provides a single, comprehensive revenue recognition model for all contracts with customers, and contains principles to determine the measurement of revenue and timing of when it is recognized. The requirements of the new standard will be effective for annual reporting periods beginning after December 15, 2018. Early adoption will be permitted for annual reporting periods beginning after December 15, 2017. The DEF is in the process of determining the impact of the adoption of this guidance on its financial statements.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

3. Line of Credit

The DEF has a line of credit in the amount of \$750,000, at an interest rate of 3.75% based on the Prime Rate (4.25% at September 30, 2017) less .50%. The line of credit is collateralized by first lien and security interest in the DEF’s accounts, chattel paper, general intangibles, inventory, equipment, fixtures, and documents. There was no outstanding balance on the line of credit at September 30, 2017 and 2016.

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

4. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Grant making	<u>\$ 5,789,495</u>	<u>\$ 5,870,634</u>

During the fiscal years ended September 30, 2017 and 2016, net assets of \$5,053,974 and \$5,630,679, respectively, were released by incurring expenses satisfying the restricted purpose.

5. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Details of expenses by functional category are as follows at September 30, 2017:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total</u>
Program grants	\$ 6,710,990	\$ -	\$ -	\$ 6,710,990
Salaries, benefits, payroll taxes, and contracted personnel	6,054,607	329,438	225,336	6,609,381
Administration and operations	1,214,251	452,032	558,403	2,224,686
Agency remuneration	238,173	-	-	238,173
Depreciation	254,230	25,807	7,169	287,206
	<u>\$ 14,472,251</u>	<u>\$ 807,277</u>	<u>\$ 790,908</u>	<u>\$ 16,070,436</u>

DOLLAR ENERGY FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Details of expenses by functional category are as follows at September 30, 2016:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total</u>
Program grants	\$ 9,741,039	\$ -	\$ -	\$ 9,741,039
Salaries, benefits, payroll taxes, and contracted personnel	5,398,642	279,598	263,026	5,941,266
Administration and operations	772,034	577,062	338,352	1,687,448
Agency remuneration	206,283	-	-	206,283
Depreciation	204,376	25,597	4,967	234,940
	<u>\$ 16,322,374</u>	<u>\$ 882,257</u>	<u>\$ 606,345</u>	<u>\$ 17,810,976</u>

6. Retirement Plan

The DEF employees may participate in a 403(b) defined contribution plan (plan). The DEF's plan covers substantially all eligible employees as defined by the plan document. Employee contributions are permitted up to an employee's eligible compensation not to exceed the statutory limits. The DEF contributions to the plan are discretionary. The DEF contributions are allocated to each eligible employee's account based on a percentage defined by the DEF.

For fiscal years 2017 and 2016, DEF provided a 3% profit sharing contribution after one year of service and a 3% match for employee contributions to the plan. The DEF contributed approximately \$116,000 and \$147,000 during fiscal years 2017 and 2016, respectively.

7. Operating Lease

The DEF has a noncancelable operating lease related to their operating facility, which expires in December 2028, in accordance with the renewal options of the lease agreement. Rental expense was approximately \$282,000 and \$202,000 in fiscal years 2017 and 2016, respectively.

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The following is a schedule, by year, of future minimum rental payments required under non-cancelable operating lease at September 30, 2017:

2018	\$	416,290
2019		422,534
2020		431,039
2021		439,602
2022		448,344
Thereafter		<u>3,011,680</u>
	\$	<u>5,169,489</u>

8. Economic Dependency

The DEF has received the majority of its support from contributions. Total support received by the DEF in the form of contributions was approximately 41% and 37% for 2017 and 2016, respectively. The DEF's two largest contributors accounted for approximately 10% and 10% of total revenues for the years ended September 30, 2017 and 2016, respectively. Management anticipates that support will continue from the DEF's contributors. Any significant reduction in the level of contribution support would significantly affect the DEF's programs.