Northeast Power Coordinating Council, Inc.

Financial Statements
December 31, 2020 and 2019

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Report of Independent Auditors

To the Board of Directors and the Members of Northeast Power Coordinating Council, Inc.

We have audited the accompanying financial statements of Northeast Power Coordinating Council, Inc., which comprise the Statements of Financial Position as of December 31, 2020 and December 31, 2019, and the related Statements of Activities and Statements of Cash Flows and for the years then ended.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Company'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 Company'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 Northeast Power Coordinating Council, Inc. as of December 31, 2020 and 2019, its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

New York, New York

March 30, 2021

Northeast Power Coordinating Council, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash	$ 3,371,323	$ 4,623,803
Restricted cash	919,159	424,223
Investments	6,241,778	4,723,922
Prepaid expenses	479,177	457,033
Other assets	308,257	332,834
Equipment and leasehold improvements, less accumulated depreciation and amortization of $2,697,595 and $2,502,121, respectively	553,791	532,843
Total assets	$ 11,873,485	$ 11,094,658
Liabilities and Net Assets		
Accrued expenses and other liabilities	$ 2,965,155	$ 2,875,131
Deferred revenue	314,881	724,702
Deferred rent	338,787	440,431
Total liabilities	3,618,823	4,040,264
Net assets		
Without donor restrictions:		
Available for operations	7,552,639	6,054,394
Board designated for future use	702,023	1,000,000
Total without donor restrictions	8,254,662	7,054,394
Total net assets	8,254,662	7,054,394
Total liabilities and net assets	$ 11,873,485	$ 11,094,658

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

Northeast Power Coordinating Council, Inc.
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Operating		
Revenue		
Criteria Services assessments	$ 1,065,203	$ 1,058,867
Regional Entity assessments	15,338,737	15,003,411
Penalty sanctions	615,069	154,000
Workshops	-	74,790
Total revenue	17,019,009	16,291,068
Expenses		
Salaries and employee benefits	10,850,903	9,973,202
Administrative and consultant fees	2,273,825	2,131,148
Professional fees	734,320	612,678
Meetings and travel	133,095	1,059,610
Telephone and telecommunications	176,279	174,946
Office supplies and expense	625,514	557,490
Equipment leases	141,764	141,701
Rent expense	652,204	631,269
Insurance expense	42,113	44,051
Miscellaneous	12,018	40,465
Depreciation and amortization	195,474	227,806
Total expenses	15,837,509	15,594,366
Change in net assets from operating activities without donor restrictions	1,181,500	696,702
Non-operating		
Interest and dividend income	18,768	85,137
Change in net assets without donor restrictions	1,200,268	781,839
Net assets		
Beginning of year	7,054,394	6,272,555
End of year	$ 8,254,662	$ 7,054,394

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

Northeast Power Coordinating Council, Inc.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 1,200,268	$ 781,839
Depreciation and amortization	195,474	227,806
(Increase) in prepaid expenses	(22,144)	(212,796)
Decrease (increase) in other assets	24,577	(85,618)
Increase in accrued expenses and other liabilities	90,024	57,458
(Decrease) increase in deferred revenue	(409,821)	214,801
(Decrease) in deferred rent	(101,644)	(85,630)
Net cash provided by operating activities	976,734	897,860
Cash flows from investing activities		
Purchases of equipment and leasehold improvements	(216,422)	(149,407)
Purchases of investments	(1,517,856)	(2,883,628)
Net cash (used for) investing activities	(1,734,278)	(3,033,035)
Net (decrease) in cash and restricted cash	(757,544)	(2,135,175)
Cash and restricted cash		
Beginning of year	5,048,026	7,183,201
End of year	$ 4,290,482	$ 5,048,026

	2020	2019
Reconciliation of cash and restricted cash reported in the statement of financial position		
Cash	$ 3,371,323	$ 4,623,803
Restricted cash	919,159	424,223
Total cash and restricted cash	$ 4,290,482	$ 5,048,026

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

1. Background

Northeast Power Coordinating Council, Inc. ("NPCC" or the "Company") is a New York State not-for-profit corporation whose purpose is to promote and enhance the reliable and efficient operation of the international, interconnected bulk power system in Northeastern North America through its Regional Entity and Criteria Services divisions. The Company's Regional Entity division is responsible for the development of regional reliability standards and compliance assessment and enforcement of continent-wide and regional reliability standards, coordination of system planning, design and operations, and assessment of reliability. These responsibilities are pursuant to an agreement with the North American Electric Reliability Corporation ("NERC"), an Electric Reliability Organization ("ERO"), under authority of the U.S. Federal Energy Regulatory Commission ("FERC"), and by Memoranda of Understanding with applicable Canadian Provincial regulatory and/or governmental authorities. The Company's Criteria Services division establishes Regionally-specific criteria, and monitors and enforces compliance with such criteria. In the development of Regionally-specific reliability criteria, the Company, to the extent possible, facilitates attainment of fair, effective and efficient competitive electric markets.

The Company is primarily funded through the NERC based on the Regional Entity division annual business plan and budget submitted to and approved by the FERC and Canadian provincial regulatory and/or governmental authorities. The Company's Criteria Services division is funded by Regional independent system operators or balancing authority areas based upon a "Net Energy for Load" formula.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Company uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

The Company reports information regarding its financial position and change in net assets in accordance with Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk.

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

> *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor restrictions.
>
> *Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. NPCC did not have any net assets with donor restrictions at December 31, 2020 and December 31, 2019.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *(Topic 842): Leases*, which establishes a right of use model ("ROU") that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. For lessors, the new standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor does not convey risks and rewards or control, then the lease would be classified as an operating lease. The new standard requires a modified retrospective approach to adoption. The Company is currently evaluating the impact Topic 842 will have on its financial statements. The new standard is effective for annual periods beginning after December 15, 2021.

Cash
The Company's cash balance consists of its operating checking account, as well as a savings account. At times, cash balances may be in excess of depository insurance limits.

Restricted Cash
Restricted cash represents amounts in deposit accounts funded with penalties levied and received for noncompliance within NPCC U.S., which are required to be used for statutory activities in years subsequent to which the penalty was received, and amounts in deposit accounts for collateralizing a letter of credit as security for NPCC's office lease. At times, cash balances may be in excess of depository insurance limits.

Equipment and Leasehold Improvements
Equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation of furniture and computer equipment is computed on the straight-line basis over the estimated useful lives of the applicable assets. Amortization of leasehold improvements is computed on the straight-line basis over the estimated useful lives of the applicable assets, or over the remaining term of the related lease, whichever is less.

Revenue Recognition
The Company recognizes revenue consistent with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* which the Company adopted effective January 1, 2018.

The majority of the Company's revenue is recognized over time, with performance obligations that are satisfied within the same fiscal year. The majority of the Company's contracts do not contain variable consideration and contract modifications are generally minimal.

For the Criteria Services division, membership in the Company is on a calendar year basis. There are no fees assessed to full members other than those members that are Independent System Operators or Balancing Authority Areas. Criteria Services assessments received are recorded as income in the year to which the membership applies irrespective of when billed or collected. Criteria Services assessments collected prior to the membership year are recorded as deferred revenue. For the Regional Entity division, membership in the Company is on a calendar year basis. There are no fees assessed to general members. Funding mechanisms provided through U.S. regulatory and Canadian governmental and/or regulatory agreements provide for quarterly remittances through the North American Electric Reliability Corporation. Regional Entity assessments received are recorded as income in the year to which they were applied within the NPCC Business Plan and Budget irrespective of when billed or collected. The Company recognizes revenue as the performance obligations for Criteria Services and Regional Entity are satisfied throughout a membership year. The amount of revenue recognized reflects the consideration the Company expects to receive from members in connection with the Company's activities. The Company uses the input method to recognize revenue on the basis of the Company's efforts to satisfy the performance obligations evenly throughout the membership year. Penalty sanctions are recorded as income when levied and the appeals process has been waived or is concluded.

Rent Expense
The Company's office lease which commenced in 2009 contains predetermined increases and decreases in the rentals payable during the lease term. Rent expense is recognized on a straight-line basis over the lease term. The difference between the rent expense charged to operations during the year and the amount payable under the lease during that year is recorded as "Deferred rent" on the Statements of Financial Position. Deferred rent also includes the landlord's contribution toward the cost of leasehold improvements, which is being amortized over the lease term. The unamortized balance of the landlord's contribution at December 31, 2020 and 2019 was approximately $120,000 and $156,000, respectively.

Income Taxes and Taxes Other Than Income Taxes
The Company has been classified as exempt from federal income taxes under Section 501(c) (6) of the Internal Revenue Code. The Company was subject to an unrelated business income tax on transportation benefits starting January 1, 2018. On December 20, 2019, the tax on transportation benefits provided by nonprofit employers to their employees was repealed retroactively. The Company will file for a refund of taxes paid for the year 2018 totaling approximately $16,000 and has filed for a refund of taxes paid for the year 2019 totaling approximately $16,000.

The Company follows standards in Accounting Standards Codification (ASC) 740, "Income Taxes", in establishing and classifying any tax provisions for uncertain tax positions and in recognizing any interest and penalties.

Use of Estimates
The Company uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could vary from the estimates that are used.

3. Investments

The Company's primary banking relationship is with JP Morgan Chase. Regional Entity and Criteria Services revenues are invested from time-to-time in a JPMorgan 100% U.S. Treasury Securities Money Market Fund (the "Fund"). The Fund aims to provide current income while maintaining liquidity and safety of principal. The Fund invests primarily in debt securities of the U.S. Treasury, but is not insured or guaranteed.

The Fund has historically maintained a net asset value of $1.00 per share. Management has determined that the likelihood of sustaining losses from the Fund to be remote.

At December 31, 2020 and 2019, the Company owned 6,241,778 and 4,723,922 units, respectively, of $1 par value per unit. In 2020 and 2019, the funds earned average yields of less than 1% and 1.12%, respectively. Investment income earned on the Fund is reinvested into units of the Fund on a monthly basis.

4. Equipment and Leasehold Improvements

Equipment and leasehold improvements at December 31, 2020 and 2019 consist of the following:

	Depreciable Life	2020	2019
Furniture	10 years	$ 204,968	$ 204,968
Computer equipment	3 years	591,883	497,878
Website	3 years	232,000	232,000
Software	3 years	1,082,724	1,059,379
Leasehold improvements	15 years (see Note 2)	974,691	974,691
		3,086,266	2,968,916
Less: Accumulated depreciation and amortization		(2,697,595)	(2,502,121)
		388,671	466,795
Assets not yet in service		165,120	66,048
		$ 553,791	$ 532,843

Depreciation and amortization expense totaled $195,474 and $227,806 in 2020 and 2019, respectively.

5. Net Assets Without Donor Restrictions

Effective in 2018, NPCC's Board of Directors designated $1,000,000 of Net Assets to serve as a Business Continuity Reserve ("BCR"). The BCR serves to fund varying financial impacts over several years beginning in 2020, in connection with succession initiatives for the office of President and CEO and additionally in the event of multiple coincident staff retirements. During 2020 the Company used $297,977 of the BCR, leaving a balance of $702,023 available for future use as of December 31, 2020.

6. Savings and Supplemental Plans

The Company maintains a 401(k) plan which provides for safe harbor matching contributions. All employees are immediately eligible for the plan upon hire. Within this plan, an employee can contribute 2% or greater of his or her compensation up to the IRS limit set for this plan. The Company's policy is to contribute on the employee's behalf 100% of the employee's contribution of the first 3% of his or her compensation, and 50% of his or her contribution for the next 2% of compensation. Company contributions to the 401(k) plan were $236,931 and $221,394 for 2020 and 2019, respectively. Additionally, upon completion of a full calendar year of service, the Company's employees become eligible for a discretionary contribution to be considered annually by the Board of Directors. The discretionary contribution for 2020 and 2019 was 8% of base compensation and totaled $463,960 and $449,742, respectively. During 2010, the Company adopted a supplemental plan for employees who were not eligible to receive the same percentage level of retirement benefits as other employees under the 401(k) plan due to IRS annual compensation limits. The Company contributed $39,000 and $38,000 to this supplemental plan for 2020 and 2019, respectively. During 2013, the Company adopted a 457(f) plan for the President and CEO. The Company contributed $35,000 to this plan for each of the years 2020 and 2019.

7. Leases

The Company is obligated under long-term operating leases for the rental of office facilities and certain equipment. NPCC's office lease, which commenced in 2009, provides for base rent along with additional rent based on increases in real estate taxes and operating expenses over base amounts. The office lease expires on April 30, 2024 and includes an option to renew for five years. The office lease provides for security in the form of a collateralized letter of credit in the amount of $150,000. NPCC executed various computer and equipment leases with expiration dates through 2024. In addition, the Company rents certain other equipment on a month-to-month basis. Rental expense for office facilities and equipment totaled $793,968 and $772,970 for 2020 and 2019, respectively.

Future minimum rental payments required under the Company's long-term operating leases as of December 31, 2020 are as follows:

	Office Space	Other Leases	Total
Year Ending December 31			
2021	$ 720,392	$ 109,645	$ 830,037
2022	720,392	87,652	$ 808,044
2023	720,392	43,514	$ 763,906
2024	240,131	7,346	$ 247,477
	$ 2,401,307	$ 248,157	$ 2,649,464

8. Salaries and Employee Benefits

During 2020 and 2019, salaries and employee benefits consist of the following:

	2020	2019
President, COO and technical staff	$ 7,631,346	$ 6,886,319
Administrative support	195,885	178,590
Payroll taxes, insurance, educational assistance, savings and supplemental plans	3,023,672	2,908,293
Total salaries and employee benefits	$ 10,850,903	$ 9,973,202

9. Other Expenses

The Company incurs various costs for administrative, consultant and professional services. Such costs amounted to $3,008,145 and $2,743,826 in 2020 and 2019, respectively, and consist of the following:

	2020	2019
Consultants	$ 1,589,049	$ 1,597,743
Accounting, legal and other services	1,390,958	1,118,765
Savings and supplemental plan administration	28,138	27,318
Total administrative, consultant and professional fees	$ 3,008,145	$ 2,743,826

These costs are reflected in “Administrative and consultant fees” and “Professional fees” in the Statements of Activities.

10. Functional Classification

The Company is required to provide information about expenses reported by their functional classification, which is a method of grouping expenses according to the purpose for which costs are incurred. NPCC incurs expenses that directly relate to, and can be assigned to, a specific operational or administrative activity. NPCC also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. general and administrative, legal and regulatory, information technology, human resources, and finance and accounting activities). The following tables summarize operational and administrative programs on a functional basis for the years ended December 31, 2020 and 2019:

	Programs		Supporting Services	
Year ended December 31, 2020	Regional Entity	Criteria Services	Management and General	**Total**
Salaries and employee benefits	$ 7,159,431	$ 463,491	$ 3,227,981	$ 10,850,903
Administrative and consultant fees	1,677,009	-	596,816	2,273,825
Professional fees	514,024	44,059	176,237	734,320
Meetings and travel	94,374	5,547	33,174	133,095
Telephone and telecommunications	123,395	10,577	42,307	176,279
Office supplies and expense	437,860	37,531	150,123	625,514
Equipment leases	99,235	8,506	34,023	141,764
Rent expense	456,543	39,132	156,529	652,204
Insurance expense	29,479	2,527	10,107	42,113
Miscellaneous	8,413	721	2,884	12,018
Depreciation and amortization	136,832	11,728	46,914	195,474
Total expenses	$ 10,736,595	$ 623,819	$ 4,477,095	$ 15,837,509

	Programs		Supporting Services	
Year ended December 31, 2019	Regional Entity	Criteria Services	Management and General	**Total**
Salaries and employee benefits	$ 6,654,152	$ 431,171	$ 2,887,879	$ 9,973,202
Administrative and consultant fees	1,707,583	-	423,565	2,131,148
Professional fees	428,874	36,761	147,043	612,678
Meetings and travel	657,073	25,330	377,207	1,059,610
Telephone and telecommunications	122,462	10,497	41,987	174,946
Office supplies and expense	390,292	33,440	133,758	557,490
Equipment leases	99,191	8,502	34,008	141,701
Rent expense	441,888	37,876	151,505	631,269
Insurance expense	30,836	2,643	10,572	44,051
Miscellaneous	28,325	2,428	9,712	40,465
Depreciation and amortization	159,465	13,668	54,673	227,806
Total expenses	$ 10,720,141	$ 602,316	$ 4,271,909	$ 15,594,366

11. Liquidity and Availability

NPCC regularly monitors liquidity required to meet its operating needs. NPCC is substantially supported by assessment revenue from the Regional Entity and the Criteria Services divisions. As part of NPCC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NPCC's financial assets available to meet cash needs for general expenditures within one year are as follows:

Financial assets:	**2020**	**2019**
Cash	$ 3,371,323	$ 4,623,803
Restricted cash	201,132	120,000
Investments	6,241,778	4,723,922
Financial assets, at December 31,	9,814,233	9,467,725
Less: Assets unavailable for general expenditures within one year:		
Board-designated reserve - BCR	702,023	1,000,000
Financial assets available to meet cash needs for general expenditures within one year	$ 9,112,210	$ 8,467,725

12. Revenues

The following table shows the Company's revenues disaggregated according to the timing of satisfaction of performance obligations for the years ended December 31, 2020 and 2019:

Revenue recognized at a point in time:	2020	2019
Penalty sanctions	$ 615,069	$ 154,000
Workshops	-	74,790
Total revenue recognized at a point in time	615,069	228,790
Revenue recognized over time:		
Criteria Services assessments	1,065,203	1,058,867
Regional Entity assessments	15,338,737	15,003,411
Total revenue recognized over time	16,403,940	16,062,278
Total revenues	$ 17,019,009	$ 16,291,068

13. Related Party Transactions

The NERC, through agreements with the FERC in the U.S. and Canadian Provincial regulatory and/or governmental agreements within Canada, delegates enforcement authority to six Regional Entities. NPCC is the cross-border Regional Entity for Northeastern North America. NERC was certified as the “Electric Reliability Organization” by the FERC on July 20, 2006. As of June 18, 2007, the U.S. FERC granted NERC the legal authority to enforce reliability standards with all U.S. users, owners, and operators of the bulk power system, and made compliance with those standards mandatory and enforceable. NERC relies on the diverse and collective expertise of industry participants to improve the reliability of the bulk power system. These entities account for virtually all the electricity supplied in the United States, Canada, and a portion of Baja California Norte, Mexico. NERC is subject to audit by the U.S. FERC and governmental and/or regulatory authorities in Canada. NERC funded the Regional Entities based upon Business Plans and Budgets submitted to and approved by FERC in the U.S. and Canadian regulatory and/or governmental authorities.

NPCC’s Criteria Services division was fully funded by Regional independent system operator or balancing authority areas and operated on Criteria Services assessments to and funded from these six entities. Dues were based upon a “Net Energy for Load” funding formula. During 2020 and 2019, total Criteria Services assessments billed amounted to $1,065,203 and $1,058,867, respectively.

	2020		2019	
Description	Percent	Total Share	Percent	Total Share
Hydro-Quebec TransEnergie	27.88%	$ 296,906	28.22%	$ 298,715
Independent Electricity System Operator	22.16%	236,008	21.83%	231,148
ISO-New England, Inc.	19.90%	212,027	20.03%	212,124
New Brunswick System Operator	2.27%	24,173	2.28%	24,142
New York Independent System Operator	25.97%	276,666	25.84%	273,634
Nova Scotia Power Inc.	1.82%	19,423	1.80%	19,104
Total criteria services assessments	100.00%	$ 1,065,203	100.00%	$ 1,058,867

14. Line of Credit

On March 18, 2013, pursuant to an agreement with a lender, the Company obtained a line of credit in the amount of $1,000,000. The Company chose not to renew the line of credit in 2019. There were no borrowings against the line of credit as of and during the year ended December 31, 2019.

15. Risks and Uncertainties

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Company's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the Company is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. The Company's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States and Canada. The Company continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

16. Subsequent Events

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the Statement of Financial Position through March 30, 2021, the date the financial statements were available to be issued.