



Setting the Standards for
Home Energy Efficiency

Approved Minutes of RESNET Board Meeting July 12, 2018

Members Present

Jim Amorin
Jacob Atalla
David Beam
Dave Bell
Philip Fairey
Matt Gingrich
Andrew Harris
John Hensley
Mark Johnson
Cy Kilbourn
Abe Kruger
Paulette McGhie
Chris McTaggart
Nancy St. Hilaire
Clayton Traylor

Members Absent

Emelie Cuppernell
Bob Eipert
David Goldstein
Roy Honican
Curt Rich

Staff Present

Steve Baden
Emma Bennett
Valerie Briggs
Scott Doyle
Laurel Elam
Cardice Howard
Ryan Meres
Kathy Spigarelli

Call to Order

The meeting was called to order by RESNET Board President Nancy St. Hilaire at 2:04 p.m. Eastern Daylight Time.

Roll Call

Philip Fairey called the roll and a quorum was present.

Approve Agenda

Jim Amorin made a motion to approve the draft agenda. Cy Kilbourn seconded the motion. Motion passed by voice vote.

RESNET Anti-Trust Policy

Nancy St. Hilaire reviewed the anti-trust policy for the board, which was sent to all members with the meeting notice.

Approval of Draft May 3, 2018 & June 4, 2018 Board Meeting Minutes

Chris McTaggart made a motion to approve the May 3, 2018 (Attachment A) and June 4, 2018 (Attachment B) minutes. Mark Johnson seconded the motion. Motion passed by voice vote.

Presentation on Analysis of Differences Between IECC R406 Compliance and ANSIRENET-ICC Standard 301

Philip Fairey presented on analysis of differences between IECC R406 compliance and ANSI-RESNET-ICC standard 301. The analysis showed that changing the reference home to align with the 2018 IECC R406 ventilation specification would raise ERI scores by 2 to 10 points depending on climate zone. After presenting, Philip Fairey asked for questions.

Philip Fairey stated that this does not imply changes to the ERI/HERS index, but only applies to the ICC Compliance Score. Chris McTaggart and Andrew Harris posed a few questions which allowed Philip Fairey to explain the implications to RESNET and the HERS Index.

Clayton Traylor asked two questions to Philip:

- If a home received a HERS Index Score of 65 in 2015 and the energy performance has not changed will be receive a HERS Index Score of 65 this year? – Philip answered yes.
- If a home built to the R406 compliance option in 2015 would its score change in 2018 because of the 2018 IECC change. Philip answered yes.

Steve Baden stated that the 2021 IECC Code Cycle will begin in January 2019. He stated that the RESNET Board will need to decide how it wants to address the R406.3 reference home ventilation issue. Steve Baden stated that here are three options: 1) propose a change to the provisions of the 2021 IECC, 2) propose to change the 301 Standard to match the 2021 IECC or 3) do not propose change to either. The board will also have to decide if RESNET needs to have an educational effort to make the rest of the industry aware of this.

Steve requested that the board read the report that Philip provided, and address any questions directly to Philip or a follow up call can be scheduled to address inquiries if necessary. Afterwards, the Board can decide on the best route moving forward. Steve Baden stated that this is a complex issue that will take time to resolve.

Approval of Draft Charter for the RESNET Board Standing Software Consistency Committee

Steve Baden presented the revised draft charter that was forwarded to the Board of Directors (Attachment C).

Dave Bell made a motion to approve the draft charter for RESNET Software Consistency Committee. Philip Fairey seconded the motion. Motion passed by voice vote.

Appointment of Members of the RESNET Software Consistency Committee by the RESNET Board

Steve Baden stated that when the RESNET Board decided to form the Software Consistency Committee in February it specified that the committee would be composed of representatives of RESNET accredited HERS Software Providers and two at large subject matter experts. Steve proposed the following individuals be appointed to the committee by the Board: Martha Brook (California Energy Commission), Ethan Croteau (Wrightsoft), Philip Fairey (FSEC), Scott Horowitz (National Renewable Energy Laboratory), Cy Kilbourn (Ekotrope), and Amber Wood (NORESO).

Philip Fairey asked why ICF was not included in the recommended committee membership. Steve Baden stated that they were not currently accredited by RESNET. If another software becomes accredited by RESNET, Steve Baden will submit a request to the RESNET Board to include additional member(s).

Jim Amorin made a motion to appoint Martha Brook (California Energy Commission), Ethan Croteau (Wrightsoft), Philip Fairey (FSEC), Scott Horowitz (National Renewable Energy Laboratory), Cy Kilbourn (Ekotrope), and Amber

Wood (NORESKO) as members to the RESNET Software Consistency Committee. Chris McTaggart seconded the motion. Motion passed by voice vote.

Consideration of 2017 RESNET Financial Audit

David Beam presented the Consideration of the 2017 RESNET Financial Audit.

The RESNET Financial Audit Committee was presented the audit by the auditor Kevin Fordyce. David reported that there were no findings on the audit which was a reflection on RESNET staff. The RESNET Financial Audit Committee voted unanimously to acknowledge receipt of the audit and forward it to the RESNET Board. The 2017 RESNET audit was previously sent to the RESNET Board as part of the notice of the meeting (Attachments D & E).

David Beam moved that the RESNET Board acknowledge receipt of the RESNET Financial Audit. Mark Johnson seconded the motion. Motion passed by voice vote.


New Business

Christ McTaggart asked about the update of the Quality Assurance proposal from RESNET. Steve Baden stated that he will ask the RESNET QA team for a deadline for completion.

Meeting Adjourns

Philip Fairey made a motion to adjourn. Meeting adjourned at 3:19 p.m. Eastern Daylight Time.

Respectfully Submitted,


Philip Fairey, Secretary

Attachment A



Setting the Standards for
Home Energy Efficiency

Approved Minutes of RESNET Board Meeting May 2, 2018

Members Present

Jim Amarin
Emelie Cuppernell
Bob Eipert
Matt Gingrich
David Goldstein
Andrew Harris
Nancy St. Hilaire
John Hensley
Mark Johnson
Cy Kilbourn
Abe Kruger
Paulette McGhie
Chris McTaggart

Members Absent

Jacob Atalla
David Beam
Dave Bell
Philip Fairey
Roy Honican
Curt Rich
Clayton Traylor

Staff Present

Steve Baden
Emma Bennett
Valerie Briggs
Scott Doyle
Laurel Elam

Cardice Howard
Ryan Meres
Kathy Spigarelli

Call to Order

The meeting was called to order by RESNET Board President Nancy St. Hilaire at 2:03 p.m. Eastern Daylight Time.

Roll Call

Emma Bennett, RESNET staff, completed roll call on behalf of Philip Fairey, RESNET Board Secretary, and a quorum was present.

RESNET Anti-Trust Policy

Nancy St. Hilaire reviewed the conflict of interest policy for the board, which was sent out and posted on DirectorPoint.

Approve Agenda

Matt Gingrich made a motion to approve the draft agenda. John Hensley seconded the motion. Motion passed by voice vote.

Approval of Draft April 3, 2018 Board Meeting Minutes

Jim Amorin made a motion to approve the April 3, 2018 minutes. Matt Gingrich seconded the motion. Motion passed by voice vote.

Consideration of RESNET Staff Proposed RESNET HERS Variability Study

Ryan Meres and Scott Doyle presented the RESNET Staff Proposed RESNET HERS Variability Study to the Board which was posted on DirectorPoint.

Abe Kruger stated that transparency through Quality Assurance initiatives could be looked into and implemented. Laurel Elam agreed and said that the QA genie could be used to develop a report on the initiatives RESNET is taking to improve QA.

Ryan Meres stated that the analysis would want to be completed before the DOE energy conference where RESNET could co-present with the DOE.

Matt Gingrich made a motion for the RESNET staff to move forward with the QA genie approach for the first phase of RESNET's internal approach to assessing HERS variability through data assessment; RESNET staff will present a plan of action within 30 days. David Goldstein seconded the motion. Motion approved by voice vote.

Consider RESNET Staff Proposed RESNET Data Sharing Policy

Ryan Meres presented the RESNET Data Sharing Policy that was posted on DirectorPoint.

Cy Kilbourn suggested a few editorial changes to the data sharing policy. Ryan Meres accepted the changes to the policy.

Jim Amorin made a motion to accept the RESNET Data Sharing Policy as presented to the board and modified on May 2, 2018. Chris McTaggart seconded the motion. The motion passed by voice vote.

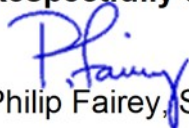
New Business

There was no new business proposed by the board.

Meeting Adjournment

Cy Kilbourn made a motion to adjourn. Meeting adjourned at 2:59 p.m. Eastern Daylight Time.

Respectfully Submitted,


Philip Fairey, Secretary

Attachment B



Setting the Standards for
Home Energy Efficiency

Approved Minutes of RESNET Board Meeting June 4, 2018

Members Present

Dave Bell
Emelie Cuppernell
Bob Eipert
Philip Fairey
Matt Gingrich
Andrew Harris
John Hensley
Cy Kilbourn
Abe Kruger
Chris McTaggart
Roy Honican
Paulette McGhie
Curt Rich
Nancy St. Hilaire
Clayton Traylor

Members Absent

Jim Amarin
Jacob Atalla
David Beam
David Goldstein
Mark Johnson

Staff Present

Steve Baden
Emma Bennett
Scott Doyle
Laurel Elam
Cardice Howard

Call to Order

The meeting was called to order by RESNET Board President Nancy St. Hilaire at 3:01 Eastern Daylight Time.

Roll Call

Philip Fairey, RESNET Board Secretary, completed roll call and a quorum was present.

Approve Agenda

Roy Honican made a motion to approve the draft meeting agenda. Dave Bell seconded the motion. Motion passed by voice vote.

RESNET Anti-Trust Policy

Curt Rich reviewed the Anti-Trust policy for the board, which was sent out with the agenda.

Approval of Draft April 3, 2018 Board Meeting Minutes

Cy Kilbourn made a motion to approve the April 3, 2018 minutes as amended. Roy Honican seconded the motion. Motion passed by voice vote.

Consideration of Petition from RESNET SDC 900 on Revision of RESNET Board Policy on Financial Independence of QADs and RESNET Staff Proposed Revised Policy

John Hensley, chair of SDC 900, reviewed the reason for the recommendation. The petition of the SDC to the RESNET Board was provided to Board members with the notice of the meeting. Mr. Hensley explained that the petition resulted from the comments received from the RESNET standard public comment review process.

Steve Baden presented RESNET staff's proposed policy on replacing the financial independence of Quality Assurance Designees. Mr. Baden explained the reasoning for the proposed policy revision. He explained that since the RESNET Board adopted the original policy on Quality Assurance Designees, there have been significant resources allocated to quality assurance oversight including the tripling of RESNET staff support.

Roy Honican made a motion to accept the Petition from RESNET SDC 900 on Revision of RESNET Board Policy on Financial Independence of QADs and adopt the RESNET Staff Proposed Revised Policy. Philip Fairey seconded the motion.

Chris McTaggart questioned if “agent” is the proper term to use in the revised policy. Steve Baden explained that the SDC900 considered this question. The Board determined that the word agent could be removed without substantive change to the proposed policy revision.

Philip Fairey proposed that language be added stating that RESNET staff shall collaborate with SDC 900 on development of procedural standards for the implementation of the policy. RESNET staff shall inform the RESNET Board of Directors within 30 days of the time period over which this can be accomplished.

Clayton Traylor requested that the language articulates the corrective actions taking place for a violation, the process of decertification, and an appeals process. Philip Fairey stated that there is existing language in current standards applicable to certified raters and can be effectively replicated for a QAD standard.

The board discussed revision of language and took time to answer questions. Editorial and substantial changes were made to the proposal.

Roy Honican and Philip Fairey accepted the changes as proposed. The new motion read:

RESNET certified Quality Assurance Designees will be trained, certified and mentored by RESNET and will be accountable to enforcement of the RESNET Standards. In addition, at minimum 50% of all rating providers and their quality assurance staff will undergo enhanced quality assurance monitoring and oversight through either an online or in-field review to enhance compliance with the RESNET Standards. If the Quality Assurance Designees are found to not properly comply with RESNET’s procedures they are subject to discipline by RESNET up to and including de-certification as a Quality Assurance Designee. RESNET staff shall collaborate with SDC 900 on development of procedures and standards for the implementation of this policy. RESNET staff shall inform the RESNET Board of Directors within 30 days of the time period over which this can be accomplished.

The motion passed unanimously by voice vote.


New Business

Steve Baden announced that in the July RESNET Board meeting Philip Fairey would present the FSEC study on the effect of changing ventilation portion of the reference home in the 2018 IECC to the Board.

There was no other new business proposed by the board.

Meeting Adjourns

Roy Honican made a motion to adjourn. Meeting adjourned at 3:52 Eastern
Respectfully Submitted,


Philip Faurey, Secretary

Attachment C



Setting the Standards for
Home Energy Efficiency

Draft Charter of the Standing RESNET Board Software Consistency Committee

~~June 5~~ July 11, 2018

Background of Software Consistency Committee (SCC) – The SCC was formed as part of a mechanism by which RESNET can improve consistency of HERS Index scores and modeled energy consumption (based on the RESNET/ICC ANSI Standard 301) among RESNET accredited HERS Rating Software Tools and enhance accreditation testing parameters. This is intended to be a continuous, ongoing process aimed at improving consistency.

This process will only address HERS ratings moving forward, it will not address ratings that have already been completed. This process is not meant to provide an immediate resolution for a specific rating, but to improve consistency problems over time.

Responsibilities of the SCC

The purpose of the SCC will ~~have one primary purpose - be~~ to hear, evaluate, and respond to software modeling consistency inquiries put forth by RESNET members. ~~However, t~~ The SCC will also have the ability to proactively promote consistency consistently through group discussion, ~~updates to the creation of~~ RESNET Modeling Guidelines, recommended updates to Publication 002 ~~test boundaries~~, and requests for Standards interpretations.

The SCC will be comprised of one member from every RESNET accredited software vendor, along with the RESNET Energy Modeling Director (EMD) and other industry experts that are ~~be~~ able to contribute. Only the EMD and software vendor representatives shall be voting members.

RESNET will hire a technical consultant with extensive knowledge of building energy software modeling, who will serve as the RESNET Energy Modeling Director (EMD). The EMD will be recommended by RESNET staff and, approved by the RESNET Board. The person will serve as the Chairman of the SCC.

The EMD shall be authorized to make proposals to the RESNET Standards Development

Committee 300 on needed changes to RESNET Publication No. 002 “Procedures for Verification of RESNET Accredited HERS Software Tools”. Such proposals will be subject to full committee consideration only if requested by any SCC member, in which case voting members of the SCC shall vote to approve the proposed change by majority rule.

SCC Modeling Consistency Inquiry Process

Any RESNET accredited HERS Rating Software Provider, certified RESNET HERS Rater or RESNET member may submit a “Modeling Consistency Inquiry” to the Chairman of the SCC (EMD). The inquiry must consist of the following content:

- A description of inconsistent modeling results between two or more software tools with as equivalent as possible input parameters, including the results from all of the software tools.
- Approval from one or more of the involved software vendors agreeing that the inputs are correct for that vendor’s software.
- Access to a set of inputs in all relevant software that will allow the SCC to reproduce the inconsistency. The RESNET EMD shall have access to all accredited software tools.
- Any additional research, notes, or suggestions relevant to the inquiry.

Once an inquiry has been submitted, the SCC will proceed with a resolution process.

SCC Modeling Consistency Inquiry Resolution Process

1. Inquiry is filed by interested party.
 - a. The RESNET EMD must first verify that software inputs are equivalent between subject software tools. The SCC may also develop other filtering criteria that an inquiry must meet.
 - b. The inquiry must be accepted by the RESNET EMD. The EMD shall assess magnitude of the inconsistency and the effort required to solve the issue. The EMD will then decide whether to address the inquiry immediately, dismiss the inquiry, or add the inquiry to a prioritized backlog.
2. Inquiry is distributed to software vendors involved in the inquiry.
3. The EMD will analyze the inconsistency and attempt to determine the root cause. The EMD Chair will rely on assistance from software vendors to access diagnostics and help determine root cause of inconsistency. At this point, the EMD can dismiss the inquiry if it does not meet the filtering criteria.
4. The EMD shall then distribute a summary of the inconsistency to all SCC members (excluding information that was provided to the EMD by software vendors and marked as proprietary), soliciting suggestions on how to resolve the inconsistency. If necessary, the EMD will schedule a SCC meeting and set an agenda to discuss. Meeting can cover several inquiries if necessary and appropriate.

5. The EMD shall draft a Consistency Resolution Proposal (CRP), including resolution timeline (see description below). The CRP shall be based on meeting discussions as well as follow up analysis by the EMD and committee members.
6. The CRP shall be developed by the EMD with input from the members of the SCC and presented to SCC within 30 business days of original inquiry receipt.
7. The CRP will be subject to a committee vote only if requested by any SCC member, in which case voting members of the SCC will vote to approve the CRP. A simple majority rules. If not approved, CRP must undergo revision until approved. The first vote shall be executed within 10 business days after final CRP is presented to SCC.
 - a. Grievances: Any RESNET accredited software vendor, or the submitter of a consistency inquiry, may appeal any decision of the RESNET EMD. These appeals shall go directly to the RESNET Board. The RESNET Board will review a written description of the appeal and vote to either uphold the EMD's decision or give guidance to the EMD and request a revised decision.
8. The SCC will deliver the CRP to the original inquirer, as well as to RESNET staff, and RESNET staff shall execute required action items.
9. (If necessary) Software tools will follow compliance requirements within the timeframes specified by the CRP.

SCC Consistency Resolution Proposal (RP)

A consistency resolution proposal must be one of 5 determinations. The RESNET EMD will have flexibility to adjust timing of resolution action-items to allow bundling several changes into one update cycle if appropriate.

Option 1: Interpretation

It is deemed that there is a difference in how software tools are interpreting a RESNET Standard or Policy, an interpretation shall be requested. Software tools must comply with the interpretation in their first released version after the interpretation is issued. If appropriate, test coverage may be added to RESNET Publication 002.

Option 2: Infraction

It is deemed that one or more software tools are not in compliance with RESNET Standards or Policies, the tools must achieve compliance. Infraction will be reported to RESNET staff as an official complaint.

Option 3: Prescribed Modeling Methodology

It is deemed that all software tools are in compliance with RESNET Standards, but have chosen different methodologies or assumptions in their energy modeling engine. The EMD may determine that the best resolution will be a prescribed

modeling method mandated by RESNET. This can involve either an amendment proposal to ANSI 301, or a RESNET policy creation/update to prescribe certain required modeling techniques.

Option 4: Modeling Guideline & Test Criteria Change

It is deemed that all software tools are in compliance with RESNET Standards, but have chosen different methodologies or assumptions in their energy modeling engine. With this type of proposal, the SCC must also issue a modeling procedure to be added to a RESNET Modeling Guidelines (new RESNET document), which is recommended to be followed by all RESNET accredited software tools (but not required). Modeling Guidelines must be consistent with RESNET/ICC ANSI Standard 301. RESNET Publication 002 shall be updated with tighter test coverage based on the new modeling guidelines, thereby enforcing consistency. The EMD shall propose how much time software vendors will have to pass new tests. Implementation timing may vary significantly depending on complexity of the issue.

Option 5: Dismissal

Inconsistency is deemed insignificant, acceptable, or unsolvable within a reasonable effort, and no action is required. If deemed significant but unsolvable, this will be recorded and a description of the inconsistency will be posted by RESNET, accessible by all members. SCC should strive to avoid this resolution whenever possible.

Confidentiality of Materials

All documentation submitted to the members of the SCC, ~~and~~ the RESNET Energy Modeling Director and RESNET staff shall be handled in strict confidence and not distributed without the express written approval of the party that provided ~~by the material party.~~ without the express written approval of the party that provided the material by the party.

Attachment D

KEVIN E. FORDYCE, C PA



RESIDENTIAL ENERGY SERVICES NETWORK, INC. FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016**



RESIDENTIAL ENERGY SERVICES NETWORK, INC. FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

Kevin E. Fordyce, CPA

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Glendale, CA 91202 Frisco, TX 75034
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Residential Energy Services Network, Inc.

We have audited the accompanying financial statements of Residential Energy Services Network, Inc. ("RESNET") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"); 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RESNET as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited RESNET's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

d:/,f?_ / CPA

May 31, 2018

Glendale, California

RESIDENTIAL ENERGY SERVICES NETWORK,

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
WITH COMPARATIVE INFORMATION
AT DECEMBER 31, 2016

ASSETS

Assets	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 681,228	\$ 319,251
Accounts receivable	661,441	241,798
Prepaid expenses	75,142	61,893
Property and equipment (Note 3)	2,395	3,967
Trademark (Note 4)	11,512	7,052
Investments (Note 5)	<u>657,912</u>	<u>631,232</u>
Total assets	<u>\$ 2,089,630</u>	<u>\$ 1,265,193</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 58,441	\$ 95,329
Deferred revenue	<u>164,876</u>	<u>175,051</u>
Total liabilities	<u>223,317</u>	<u>270,380</u>

Net assets

Unrestricted net assets	1,643,794	682,842
Board designated net assets (Note 6)	157,519	209,971
Temporarily restricted net assets (Note 7)	<u>65,000</u>	<u>102,000</u>
Total net assets	<u>1,866,313</u>	<u>994,813</u>
Total liabilities and net assets	<u>\$ 2,089,630</u>	<u>\$ 1,265,193</u>

**RESIDENTIAL ENERGY SERVICES NETWORK,
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017 WITH
COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

				<u>2016</u>
		Temporarily		<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	
Revenues and support				
Program revenues				
Conference	\$ 394,600	\$ 65,000	\$ 459,600	\$ 369,633
Consulting and grants	47,639	-	47,639	26,200
Education	243,753	-	243,753	94,079
Membership	1,937,699	-	1,937,699	1,195,791
RESNET Suppliers Advisory Board	160,000	-	160,000	160,000
Net assets released from restrictions				
Satisfaction of program restriction	<u>102,000</u>	<u>(102,000)</u>	<u>-</u>	<u>-</u>
Total program revenues	<u>2,885,691</u>	<u>(37,000)</u>	<u>2,848,691</u>	<u>1,845,703</u>
Support				
Interest and dividends	17,777	-	17,777	-
Realized/unrealized gains (losses)	<u>12,636</u>	<u>-</u>	<u>12,636</u>	<u>18,023</u>
Total support	<u>30,413</u>	<u>-</u>	<u>30,413</u>	<u>18,023</u>
Total revenues and support	<u>2,916,104</u>	<u>(37,000)</u>	<u>2,879,104</u>	<u>1,863,726</u>
Expense				
Program services				
Conference	256,285	-	256,285	239,510
Education	10,566	-	10,566	67,306
Membership	<u>1,396,372</u>	<u>-</u>	<u>1,396,372</u>	<u>1,119,091</u>
Total program services	<u>1,663,223</u>	<u>-</u>	<u>1,663,223</u>	<u>1,425,907</u>
Support services				

RESIDENTIAL ENERGY SERVICES NETWORK,

Management and general	291,929	-	291,929	178,360
Fundraising	<u>-</u>	=	<u>-</u>	<u>30,123</u>
Total support services	<u>291,929</u>	=	<u>291,929</u>	<u>208,483</u>
Total expenses	<u>1,955,152</u>	=	<u>1,955,152</u>	<u>1,634,390</u>
Change in net assets before Board expenses	960,952			
		(37,000)	923,952	229,336
Board designated expenses	<u>52,452</u>	=	<u>52,452</u>	<u>90,111</u>
Change in net assets	908,500	(37,000)	871,500	139,225
Net assets, beginning of year	<u>892,813</u>	<u>102,000</u>	<u>994,813</u>	<u>855,588</u>
Net assets, end of year	<u>\$ 1,801,313</u>	<u>\$ 65,000</u>	<u>\$ 1,866,313</u>	<u>\$ 994,813</u>

RESIDENTIAL ENERGY SERVICES NETWORK,

STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2017 WITH
COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	<u>2016</u>					Total
	2017	<u>2016</u>					
Salaries		<u>2016</u>					
Employee benefits		<u>2016</u>					
Payroll taxes		<u>2016</u>					
Total salaries and benefits		<u>2016</u>					
		<u>Annual</u>					
		<u>RESNET®</u>					
		<u>Conference</u>	<u>Education</u>	<u>Membership</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Amortization	\$ -	\$ -	\$ 470,519		\$ 470,519	\$ 470,519	\$ 357,923
Bank service charges	-	-	115,285		115,285	115,285	135,323
Computer and software	-	-	31,747	31,747	22,493	- - 617,551	617,551
Conference			515,739				
Copying and printing							
Depreciation							
Dues and subscriptions	-	-	247	247	-		
Insurance	8,749	119	9,095		17,963		22,527
Internet service	4,293	-	3,842		8,135		1,977
Legal services	242,786	-	-		242,786		222,273
Meetings	-	-	-	-	-		
Payroll service fees	-	-	1,310	1,310	1,551	- - 11,251	11,251
Postage and delivery	-	-	8,791	8,791	7,470		
Professional services			457 - 4,297	4,754	3,722	- - 24,618	24,618
RESNET/EPA Scholarships			- - 1,397	1,397	2,592	1,992	- - 20,240
Storage							20,240
Supplies			--	-	-	120	
Telephone			-10,000	607,065		617,065	544,858
Travel			--	-	-	-	
			--	65	65	865	
Total expenses before Board designated capital budget			--	124	124	1,284	
			-447	7,002	7,449	6,645	- - 79,477
							79,477
							73,477
expenditures							
Board designated capital budget expenditures (Note 6)	256,285	10,566	1,396,372		1,663,223		1,425,907
2017 Total			--	52,452	52,452	-	

RESIDENTIAL ENERGY SERVICES NETWORK,

\$ 256,285	\$ 10,566	\$ 1,448,824	\$ 1,715,675
<u> </u>	<u> </u>	<u> </u>	<u> </u>

\$ 239,510	\$ 67,306	\$ 1,119,091	\$ 1,425,907
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STATEMENT OF FUNCTIONAL EXPENSES - SUPPORT SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

RESIDENTIAL ENERGY SERVICES NETWORK,

	<u>2017</u>		<u>2016</u>
	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
			<u>Total</u>
Salaries	\$ 174,214		
Employee benefits	28,610	\$ -	\$ 174,214
		-	28,610
Payroll taxes	<u>13,459</u>		
Total salaries and benefits	216,283	-	<u>13,459</u>
		-	216,283
Amortization	308		
Bank service charges	4,615	-	308
Computer and software	2,546	-	4,615
Copying and printing	229	-	2,546
Depreciation	262	-	229
Dues and subscriptions	5,924	-	262
Insurance	4,286	-	5,924
Internet service	99	-	4,286
Legal services	3,465	-	99
Licenses and permits	250	-	3,465
Meetings	780	-	250
Payroll service fees	599	-	780
Postage and delivery	1,137	-	599
Professional services	27,703	-	1,137
Public relations	-	-	27,703
Storage	2,383	-	-
Supplies	832	-	2,383
Telephone	2,123	-	832
Travel	<u>18,105</u>	-	2,123
		-	<u>18,105</u>
Total expenses before Board designated capital budget expenditures	291,929	-	<u>5,552</u>
		-	291,929
Board designated capital budget expenditures (Note 6)	-		208,483

RESIDENTIAL ENERGY SERVICES NETWORK,

2017 Total	\$	<u>291,929</u>	=	=	<u>90,111</u>
2016 Total	\$	<u>268,471</u>	\$	=	\$ <u>291,929</u>
			\$	<u>30,123</u>	\$ <u>298,594</u>

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

_____ 2017 _____ 2016 _____

Cash flows from operating activities

RESIDENTIAL ENERGY SERVICES NETWORK,

Change in net assets	\$ 871,500	\$ 139,225
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,572	2,068
Amortization	555	355
(Increase) decrease in: Accounts receivable	(419,643)	21,872
Prepaid expenses	(13,249)	(48,190)
(Gains) losses on investments	(26,656)	(18,023)
Increase (decrease) in:		
Accounts payable and accrued expenses	(36,888)	74,496
Deferred revenue	<u>(10,175)</u>	<u>54,451</u>
Total adjustments	<u>(504,484)</u>	<u>87,029</u>
Net cash provided by operating activities	<u>367,016</u>	<u>226,254</u>
Cash flows from investing activities		
Acquisitions of trademarks	(5,015)	-
Purchases of investments	(183,465)	(100,000)
Proceeds from redemptions of certificates of deposit	<u>183,441</u>	<u>100,000</u>
Net cash used in investing activities	<u>(5,039)</u>	-
Net increase in cash and cash equivalents	<u>361,977</u>	<u>226,254</u>
Cash and cash equivalents, beginning of year	<u>319,251</u>	<u>92,997</u>
Cash and cash equivalents, end of year	\$ <u>681,228</u>	\$ <u>319,251</u>

1. Organization

Residential Energy Services Network, Inc. (RESNET®, or “the Organization”) is a California nonprofit corporation, established in 1987 and originally organized under the general nonprofit organization laws of the State of Arkansas. In 2011, RESNET® converted to a California nonprofit corporation.

RESNET® encourages awareness of the efficient use of energy in residential buildings throughout the United States of America through education of the public, the housing industry, utilities industry, and related organizations to serve the public interest. RESNET® informs members of the latest advancements, improvements, uses, and benefits of energy ratings and residential energy efficiency financing; promotes improved cooperation, coordination and understanding between those engaged in the home energy rating industry; works with the lending industry in developing and promoting new residential energy efficiency financing products; and provides an open forum for the exchange of ideas and experiences on home energy ratings and residential energy efficiency financing for the entire home energy rating industry.

RESNET® also supports national standards for the home energy rating industry in partnership with governmental agencies, the mortgage industry, certified energy raters, accredited energy providers, and accredited rater training providers. RESNET® assists its members in soliciting and obtaining funding to support and grow their businesses and serves as a voice of the home energy rating industry to decision-makers on policies that affect the industry.

RESNET® sponsors a three-day annual conference, which provides a national forum on residential energy efficiency financing and home energy ratings; web posting of the proceedings of its conferences and current issues through its information network; rater training services for lenders and real estate professionals; an accreditation program developed by RESNET® and recognized by the Environmental Protection Agency based upon the Mortgage Industry National Home Energy Rating Accreditation Standard; and special projects on issues relating to the goals of the organization. RESNET® hosts a website at <http://www.resnet.us>.

RESNET® currently operates the following programs:

Annual RESNET® Building Performance Conference

The annual RESNET® Building Performance Conference is the premier forum on home energy ratings, commercial building energy modeling, improving the energy efficiency of existing homes, residential energy efficiency financing, and building performance business development. The sessions offered at the RESNET® Conference focus on technical and business development issues for residential energy efficiency professionals, lenders, government agencies, and consumers. Market-driven residential energy efficiency initiatives are also presented. Attendees appreciate the content and timeliness of the Sessions, networking opportunities, and the expertise of the presenters.

The 2017 annual RESNET® Building Performance Conference, “*All In*,” was held February 27 through March 1, 2017, in Scottsdale, Arizona, and had approximately 811 persons attend. Attendees included home energy raters, rating providers, homebuilders, contractors, and building performance professionals from across the nation and world.

1. Organization (continued)

Annual RESNET® Building Performance Conference (continued)

The 2017 Conference theme reflected the growth of HERS ratings in the market place and the adoption of the Energy Rating Index option by state and local code jurisdictions across the nation. Sessions included main topic categories such as Opportunities for HERS Raters with the International Energy Conservation Code, Tapping the Appraisal and Real Estate Market, Water Efficiency Rating Index, Enhanced HERS Index Consistency/Quality Assurance, Home Energy Ratings, Advanced Building Science, and Energy Policy & Programs.

There were over 100 presenters from the industry, including the U.S. Department of Energy, EPA Energy Star and WaterSense, ACCA, Adomatis Appraisal Service, APA, ARN, Appraisal Institute, Building Trust LLC, CRESNET, California Energy Commission, CalCERTS, CLEAResult, Dow Building Solutions, Dupont, E3, EEBA, Energy Efficient Codes Coalition, EnergyLogic, Florida Solar Energy Center, KB Home, International Code Council, ICF International, Lawrence Berkeley National Laboratory, LEED, Masco, MEEA, NAIMA, Meritage Homes, National Resources Defense Council, Newport Partners, NREL, Oregon Department of Energy, ORNL, Owens Corning, Pando Alliance, PEG, Pivotal Energy, PNNL, Performance Systems Development, RenewABILITY Energy, RSR, SPFA, Southface Energy Institute, Southern Energy Management, Steven Winter Associates, The Energy Conservatory, TruTech Tools, US EcoLogic, Utah Energy Office, and VCHR, VEIC, and Winning Strategies Washington.

Education

RESNET® receives a portion of its total public support from grants that provide for education relating to residential energy efficiency and to train and test energy raters to foster high performance, energy efficient homes, home energy ratings, and energy efficient mortgages.

Membership

There are seven categories of RESNET® membership:

Providers, HERS Rating Companies, National Energy Smart Builders, State Energy Smart Builders, Contractors, Suppliers/Manufacturers, Associate Members

The membership for rating providers, software providers, and rater training providers includes accreditation. This accreditation is recognized by the mortgage industry, energy code officials, utilities, the U.S. Department of Energy, the U.S. Department of Housing and Urban Development, and the Environmental Protection Agency for the verification of a home’s energy efficiency. In 2017, 227,840 homes were HERS-rated with an average HERS index score of 62, 38% more energy efficient than in 2006, and the HERS-rated historical total passed the 2,000,000 mark in June 2017.

Other membership services include weekly e-mail information updates to over 8,000 subscribers, representation on national policy issues affecting the industry, discounts at the annual RESNET®

Building Performance Conferences, and the RESNET® web site, which, during 2017, recorded over 2 million visits. RESNET®'s programs and website have been covered by the Wall Street Journal, NBC News, Consumer Reports, Worth Magazine, REALTOR Magazine, Builder Magazine, Better Homes and Gardens, Home Energy, and Real Estate Finance Today.

2. Summary of significant accounting policies

The accounting policies which affect significant elements of RESNET®'s financial statements are described below to enhance the usefulness of the financial statements to the reader. The following policies should be read in conjunction with the accompanying notes to the financial statements.

Basis of accounting

The financial statements of RESNET® have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("GAAP"), and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation

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 organization's audited financial statements for the year ended December 31, 2016, dated October 11, 2017, from which the summarized information was derived.

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of RESNET and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in the primary objectives of the Organization.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets – Net assets that are restricted by the donors for investment in perpetuity. The investment income is available for general support of the Organization's programs and operations. RESNET did not have any permanently restricted net assets at December 31, 2017 or 2016.

It is the policy of RESNET to record temporarily restricted support as unrestricted support where the donor-imposed restrictions have been satisfied within the reporting period.

Use of estimates

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and

2. Summary of significant accounting policies (continued)

Basis of presentation (continued)

Use of estimates (continued)

expenses during the reported period. Such estimates may be materially different from actual financial results.

Cash and cash equivalents

Cash and cash equivalents are considered to be all highly liquid investments with original maturities of three months or less. Cash equivalents are stated at cost because that approximates market value.

Concentration of credit risk

The Federal Deposit Insurance Corporation (FDIC) insures deposits at insured institutions up to \$250,000 per depositor. RESNET® maintains cash in demand deposit accounts with high-credit, quality, federally insured institutions. At times during the year, the balances in these accounts may exceed the federally insured limits. RESNET® has not experienced any losses on such accounts, and RESNET believes they are not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

Accounts receivable consist of rater and trainer provider certification, which is recorded when invoiced and are due in less than one year. Management believes that no material adjustment will be made to this account and no allowance for doubtful accounts is considered necessary. Balances that are still outstanding after management has used reasonable collection efforts will be charged to operations when that determination is made.

Property and equipment

Acquisitions of property and equipment are carried at cost. Acquisitions in excess of \$1,000 are capitalized. Depreciation is computed using the straight-line basis over the asset's useful life. Property at year end consisted primarily of computer equipment, which is depreciated over five years.

Investments

Investments are recorded at fair value based on quoted prices in an active market. In addition to gains and losses on investment sales transactions, investment income includes dividends and interest and is recognized as revenue in the period in which it is earned. Changes in fair value of investments are recorded as unrealized gains (losses). Investment income amounts are reported as an increase in unrestricted net assets unless otherwise restricted by the donor. Contributions of securities from donors are recorded at fair value at the time the gift is made.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the fair market value of investments will occur in the near term and that such changes could materially affect the financial statements. Principal on RESNET's investments at December 31, 2017 and 2016 was insured by the investment firm, SIPC, or FDIC for certificates of deposit.

Fair value of financial instruments

In accordance with Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements*, fair value is defined as the price that the Organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 establishes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level I Quoted prices in active markets for identical assets and liabilities.
- Level II Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level III Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

RESNET® has financial instruments whereby the fair market value of the financial instruments could be different than that recorded on a historical basis on the accompanying statements of financial position. The financial instruments consist of cash and cash equivalents, long-term certificates of deposit, an annuity, accounts receivable, and accounts payable. The carrying amounts of RESNET®’s financial instruments generally approximate their fair values at December 31, 2017 and 2016.

2. Summary of significant accounting policies (continued)

Deferred revenue

Deferred revenues include advance payment of memberships and future conference registration fees. Memberships and conference registrations are recorded as revenues in the applicable fiscal period.

Functional allocation of expenses

Costs of providing RESNET®'s programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit, usually this is direct labor.

Income taxes

RESNET® was originally organized as an Arkansas nonprofit organization and converted its nonprofit corporation to California in 2011. RESNET® is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is a public charity under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). This allows for donations to the organization to be deductible as charitable contributions on the donor's income tax return. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. As of December 31, 2017 and 2016, RESNET® had no net unrelated business taxable income.

The Organization applies the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2017 and 2016.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2014.

Subsequent events

In preparing these financial statements, RESNET®'s management has evaluated subsequent events and transactions for potential recognition and disclosure through May 31, 2018, the date at which the financial statements were available to be issued.

3. Property and equipment

At December 31, Property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 17,299	\$ 17,299
Less: Accumulated depreciation	<u>(14,904)</u>	<u>(13,332)</u>
Net Property and equipment	<u>\$ 2,395</u>	<u>\$ 3,967</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$1,572 and \$2,068, respectively.

4. Trademark

RESNET® acquired a trademark to protect its name and the acronym RESNET®. Amortization expense is being recorded over 40 years using the straight-line method. During 2017, RESNET® acquired additional trademarks for HERS, which is being amortized over 10 years. Amortization expense for the years ended December 31, 2017 and 2016 was \$555 and \$355, respectively.

	<u>2017</u>	<u>2016</u>
Trademark	\$ 14,089	\$ 9,074
Less: Accumulated amortization	<u>(2,577)</u>	<u>(2,022)</u>
Net Trademark	<u>\$ 11,512</u>	<u>\$ 7,052</u>

5. Investments

RESNET® maintains its investments with investment institutions in California. There were no uninsured investment securities at December 31, 2017 or 2016. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment. The fair value and observable quoted prices in active markets for identical assets (Level II) were as follows at December 31:

	<u>2017</u>	<u>2016</u>
Certificates of deposit maturing in less than one year	\$ 100,620	\$ 171,933
Certificates of deposit maturing in two to five years	82,749	99,049
Annuities maturing in six to nine years	<u>474,543</u>	<u>360,250</u>
Total	<u>\$ 657,912</u>	<u>\$ 631,232</u>

6. Board designated capital expenditures

For fiscal years 2013, 2014, and 2015, the RESNET® Board of Directors voted to commit reserves from unrestricted assets to their capital budget for development of a simulation-based RESNET® practical test, public relations, rater test revisions, registry and server updates and revisions, IECC advocacy, consumer awareness, and HERS infrastructure. As of December 31, 2017, \$157,519 remains available for these Board designated purposes:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Board designated commitment	\$ 292,575	\$ 304,425	\$ 450,000	\$ 1,047,000
Board designated expenditures	<u>(282,663)</u>	<u>(299,585)</u>	<u>(307,233)</u>	<u>(889,481)</u>
Balance	\$ 9,912	\$ 4,840	\$ 142,767	\$ 157,519

7. Temporarily restricted net assets

Temporarily restricted assets were available for the following purposes:

<u>2016</u>	<u>Additions</u>	<u>Balance</u> <u>December 31,</u> <u>Restrictions</u>	<u>2017</u>	<u>Releases from December 31,</u>	<u>Balance</u>
<u>2017</u>	RESNET® conference	\$ 102,000	\$ -	\$ (102,000)	\$ -
<u>2018</u>	RESNET® conference	-	<u>65,000</u>	-	<u>65,000</u>
Total		\$ 102,000	\$ 65,000	\$ (102,000)	\$ 65,000

8. Retirement plan

RESNET® has a voluntary defined contribution plan covering substantially all of its employees who work at least halftime with more than one year of service. RESNET® matches the employee contribution from 2% up to a maximum of 5% of their annual compensation. Employer contributions under this plan for the years ended December 31, 2017 and 2016 were \$18,328 and \$18,145, respectively.

9. Related Party Transactions

In 2017 and 2016, the RESNET® Board entered into contracts with several board members' companies to provide professional services for RESNET® programs, following RESNET®'s Conflict of Interest Policy and Procedures. These

contracts totaled \$203,088, and \$91,275 remained active at December 31, 2017. Upon Board review of these transactions, all were found to be in compliance and deemed appropriate transactions for the benefit of RESNET®.

Attachment E



Kevin E. Fordyce, CPA

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May 31, 2018

To the Board of Directors
RESNET

We have been engaged to audit the financial statements of RESNET (the "Organization") for the year ended December 31, 2017, and have issued our report thereon dated May 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing 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 December 18, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by RESNET are described in Note 2 to the financial statements. No new accounting policies were adopted during the year and the application of existing policies was not changed during the fiscal year ended December 31, 2017. We noted no transactions entered into by the Organization during the 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.

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 management's estimate of the reserve for pledges and grants receivable, which is valued at \$0 for the current year. We evaluated the key factors and assumptions used to develop the reserve estimate 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 most sensitive disclosures affecting the financial statements were the summary of investments presented in Note 5, the history of board designated capital expenditures in Note 6, The temporarily restricted net assets roll-forward in Note 7 and the discussion of related party transactions in Note 9.

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.

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RESNET
Required Communications Letter 2017
Audit of Financial Statements

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. There were no necessary adjustments detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to the financial statements taken as a whole. For your convenience, we have included the final trial balance as an attachment to this letter. *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*

At the end of the engagement, we requested and received certain standard and organization-specific representations from management that are included in the management representation letter that is dated as of May 31, 2018.

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 Organization'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. *Other Matters*

This information is intended solely for the use of RESNET's board of directors and management of and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours



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fl-/-

Kevin E. Fordyce, CPA

