UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to ___________.

Commission File Number: 001-34811

Ameresco, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**04-3512838**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
111 Speen Street, Suite 410 Framingham, Massachusetts	**01701**
(Address of Principal Executive Offices)	(Zip Code)

(508) 661-2200
(Registrant's Telephone Number, Including Area Code)
N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☐	Accelerated Filer ☑	Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐		(Do not check if a smaller reporting company)	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	New York Stock Exchange Symbol	Shares outstanding as of November 1, 2019
Class A Common Stock, $0.0001 par value per share	AMRC	29,033,114
Class B Common Stock, $0.0001 par value per share		18,000,000

AMERESCO, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2019
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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

AMERESCO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	September 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents [1]	$ 34,104	$ 61,397
Restricted cash [1]	13,498	16,880
Accounts receivable, net of allowance of $2,587 and $2,765, respectively [1]	91,755	85,985
Accounts receivable retainage, net	16,652	13,516
Costs and estimated earnings in excess of billings [1]	124,652	86,842
Inventory, net	9,902	7,765
Prepaid expenses and other current assets [1]	22,585	11,571
Income tax receivable	1,629	5,296
Project development costs	26,305	21,717
Total current assets [1]	341,082	310,969
Federal ESPC receivable	182,012	293,998
Property and equipment, net [1]	10,469	6,985
Energy assets, net [1]	507,759	459,952
Goodwill	57,899	58,332
Intangible assets, net	1,810	2,004
Operating lease assets [1]	32,540	—
Other assets [1]	36,786	29,394
Total assets [1]	$ 1,170,357	$ 1,161,634
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portions of long-term debt and financing lease liabilities [1]	$ 54,958	$ 26,890
Accounts payable [1]	133,833	134,330
Accrued expenses and other current liabilities [1]	28,700	35,947
Current portions of operating lease liabilities [1]	5,935	—
Billings in excess of cost and estimated earnings	23,234	24,363
Income taxes payable	—	1,100
Total current liabilities [1]	246,660	222,630
Long-term debt and financing lease liabilities, less current portions and net of deferred financing fees [1]	223,766	219,162
Federal ESPC liabilities	196,584	288,047
Deferred income taxes, net [1]	3,242	4,352
Deferred grant income	6,223	6,637
Long-term portions of operating lease liabilities, net of current [1]	28,799	—
Other liabilities [1]	30,989	29,212
Commitments and contingencies (Note 9)		
Redeemable non-controlling interests	32,108	14,719

[1] Includes restricted assets of consolidated variable interest entities ("VIEs") at September 30, 2019 and December 31, 2018 of $136,213 and $126,727, respectively. Includes non-recourse liabilities of consolidated VIEs at September 30, 2019 and December 31, 2018 of $39,548 and $34,684, respectively. See Note 12.

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

AMERESCO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS — (Continued)
(in thousands, except share amounts)

	September 30, 2019	December 31, 2018
	(Unaudited)	
Stockholders’ equity:		
Preferred stock, $0.0001 par value, 5,000,000 shares authorized, no shares issued and outstanding at September 30, 2019 and December 31, 2018	$ —	$ —
Class A common stock, $0.0001 par value, 500,000,000 shares authorized, 31,134,154 shares issued and 29,033,114 shares outstanding at September 30, 2019, 30,366,546 shares issued and 28,275,506 shares outstanding at December 31, 2018	3	3
Class B common stock, $0.0001 par value, 144,000,000 shares authorized, 18,000,000 shares issued and outstanding at September 30, 2019 and December 31, 2018	2	2
Additional paid-in capital	131,111	124,651
Retained earnings	292,256	269,806
Accumulated other comprehensive loss, net	(9,609)	(5,949)
Treasury stock, at cost, 2,101,040 shares at September 30, 2019 and 2,091,040 shares at December 31, 2018	(11,777)	(11,638)
Total stockholders’ equity	401,986	376,875
Total liabilities, redeemable non-controlling interests and stockholders’ equity	$ 1,170,357	$ 1,161,634

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

AMERESCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues	$ 212,026	$ 205,375	$ 560,321	$ 569,767
Cost of revenues	167,333	159,213	439,857	445,356
Gross profit	44,693	46,162	120,464	124,411
Selling, general and administrative expenses	31,231	28,866	87,396	84,871
Operating income	13,462	17,296	33,068	39,540
Other expenses, net	4,192	3,244	11,359	10,754
Income before provision for income taxes	9,270	14,052	21,709	28,786
Income tax provision	939	3,351	2,000	1,879
Net income	8,331	10,701	19,709	26,907
Net loss (income) attributable to redeemable non-controlling interests	539	—	2,524	(516)
Net income attributable to common shareholders	$ 8,870	$ 10,701	$ 22,233	$ 26,391
Net income per share attributable to common shareholders:				
Basic	$ 0.19	$ 0.23	$ 0.48	$ 0.58
Diluted	$ 0.19	$ 0.23	$ 0.47	$ 0.57
Weighted average common shares outstanding:				
Basic	46,555	45,854	46,413	45,599
Diluted	47,693	46,944	47,675	46,509

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

AMERESCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(Unaudited)

	Three Months Ended September 30,	
	2019	**2018**
Net income	$ 8,331	$ 10,701
Other comprehensive (loss) income:		
Unrealized (loss) gain from interest rate hedges, net of tax (provision) benefit of $(410) and $181, respectively	(1,135)	125
Foreign currency translation adjustments	(356)	(163)
Total other comprehensive loss	(1,491)	(38)
Comprehensive income	6,840	10,663
Comprehensive loss attributable to redeemable non-controlling interests	539	—
Comprehensive income attributable to common shareholders	$ 7,379	$ 10,663

	Nine Months Ended September 30,	
	2019	**2018**
Net income	$ 19,709	$ 26,907
Other comprehensive (loss) income:		
Unrealized (loss) gain from interest rate hedges, net of tax (provision) benefit of $(1,308) and $590, respectively	(3,949)	1,686
Foreign currency translation adjustments	289	(161)
Total other comprehensive (loss) income	(3,660)	1,525
Comprehensive income	16,049	28,432
Comprehensive loss (income) attributable to redeemable non-controlling interests	2,524	(516)
Comprehensive income attributable to common shareholders	$ 18,573	$ 27,916

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

AMERESCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE NON-CONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(in thousands except share amounts)
(Unaudited)

	Redeemable Non-Controlling Interests	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
		Shares	Amount	Shares	Amount				Shares	Amount	
Balance, June 30, 2018	$ 12,322	27,732,511	$ 3	18,000,000	$ 2	$119,257	$247,512	$ (4,495)	2,085,497	$(11,571)	$ 350,708
Cumulative impact from the adoption of ASU No. 2017-12	—	—	—	—	—	—	—	(54)	—	—	(54)
Exercise of stock options	—	239,597	—	—	—	2,012	—	—	—	—	2,012
Stock-based compensation expense	—	—	—	—	—	391	—	—	—	—	391
Unrealized gain from interest rate hedge, net	—	—	—	—	—	—	—	611	—	—	611
Foreign currency translation adjustment	—	—	—	—	—	—	—	(163)	—	—	(163)
Contributions from redeemable non-controlling interests	2,365	—	—	—	—	—	—	—	—	—	—
Distributions to redeemable non-controlling interests	(102)	—	—	—	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	10,701	—	—	—	10,701
Balance, September 30, 2018	$ 14,585	27,972,108	$ 3	18,000,000	$ 2	$121,660	$258,213	$ (4,101)	2,085,497	$(11,571)	$ 364,206
Balance, June 30, 2019	$ 32,037	28,412,894	$ 3	18,000,000	$ 2	$126,693	$283,386	$ (8,118)	2,091,040	$(11,638)	$ 390,328
Exercise of stock options	—	630,220				4,005					4,005
Stock-based compensation expense	—	—	—	—	—	413	—	—	—	—	413
Open market purchase of common shares	—	(10,000)	—	—	—	—	—	—	10,000	(139)	(139)
Unrealized loss from interest rate hedge, net	—	—	—	—	—	—	—	(1,135)	—	—	(1,135)
Foreign currency translation adjustment	—	—	—	—	—	—	—	(356)	—	—	(356)
Contributions from redeemable non-controlling interests	974	—	—	—	—	—	—	—	—	—	—
Distributions to redeemable non-controlling interests	(364)	—	—	—	—	—	—	—	—	—	—
Net (loss) income	(539)	—	—	—	—	—	8,870	—	—	—	8,870
Balance, September 30, 2019	$ 32,108	29,033,114	$ 3	18,000,000	$ 2	$131,111	$292,256	$ (9,609)	2,101,040	$(11,777)	$ 401,986

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

	Redeemable Non-Controlling Interests	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
		Shares	Amount	Shares	Amount				Shares	Amount	
Balance, December 31, 2017	$ 10,338	27,533,049	$ 3	18,000,000	$ 2	$ 116,196	$ 235,844	$ (5,626)	1,873,266	$ (9,799)	$ 336,620
Cumulative impact from the adoption of ASU No. 2014-09	—	—	—	—	—	—	(4,454)	—	—	—	(4,454)
Cumulative impact from the adoption of ASU No. 2017-12	—	—	—	—	—	—	432	(486)	—	—	(54)
Exercise of stock options	—	625,215	—	—	—	4,114	—	—	—	—	4,114
Stock-based compensation expense	—	—	—	—	—	1,137	—	—	—	—	1,137
Employee stock purchase plan	—	26,075	—	—	—	213	—	—	—	—	213
Open market purchase of common shares	—	(212,231)	—	—	—	—	—	—	212,231	(1,772)	(1,772)
Unrealized gain from interest rate hedge, net	—	—	—	—	—	—	—	2,172	—	—	2,172
Foreign currency translation adjustment	—	—	—	—	—	—	—	(161)	—	—	(161)
Contributions from redeemable non-controlling interests	4,038	—	—	—	—	—	—	—	—	—	—
Distributions to redeemable non-controlling interests	(307)	—	—	—	—	—	—	—	—	—	—
Net income	516	—	—	—	—	—	26,391	—	—	—	26,391
Balance, September 30, 2018	$ 14,585	27,972,108	$ 3	18,000,000	$ 2	$ 121,660	$ 258,213	$ (4,101)	2,085,497	$ (11,571)	$ 364,206
Balance, December 31, 2018	$ 14,719	28,275,506	$ 3	18,000,000	$ 2	$ 124,651	$ 269,806	$ (5,949)	2,091,040	$ (11,638)	$ 376,875
Cumulative impact from the adoptions of ASU -No. 2018-02 (Note 2)	—	—	—	—	—	—	217	(217)	—	—	—
Exercise of stock options	—	745,484	—	—	—	4,960	—	—	—	—	4,960
Stock-based compensation expense	—	—	—	—	—	1,195	—	—	—	—	1,195
Employee stock purchase plan	—	22,124	—	—	—	305	—	—	—	—	305
Open market purchase of common shares	—	(10,000)	—	—	—	—	—	—	10,000	(139)	(139)
Unrealized loss from interest rate hedge, net	—	—	—	—	—	—	—	(3,732)	—	—	(3,732)
Foreign currency translation adjustment	—	—	—	—	—	—	—	289	—	—	289
Contributions from redeemable non-controlling interests	20,482	—	—	—	—	—	—	—	—	—	—
Distributions to redeemable non-controlling interests	(569)	—	—	—	—	—	—	—	—	—	—
Net (loss) income	(2,524)	—	—	—	—	—	22,233	—	—	—	22,233
Balance, September 30, 2019	$ 32,108	29,033,114	$ 3	18,000,000	$ 2	$ 131,111	$ 292,256	$ (9,609)	2,101,040	$ (11,777)	$ 401,986

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

AMERESCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	**2018**
Cash flows from operating activities:		
Net income	$ 19,709	$ 26,907
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation of energy assets	26,338	19,699
Depreciation of property and equipment	2,115	1,573
Amortization of debt issuance costs	1,734	1,587
Amortization of intangible assets	681	771
Accretion of ARO and contingent consideration	98	—
Provision for bad debts	(134)	483
Loss on disposal / sale of assets	—	300
Gain on deconsolidation of VIE	(2,160)	—
Net gain from derivatives	(1,072)	(420)
Stock-based compensation expense	1,195	1,137
Deferred income taxes	152	3,914
Unrealized foreign exchange loss	149	486
Changes in operating assets and liabilities:		
Accounts receivable	(4,468)	2,073
Accounts receivable retainage	(3,079)	3,008
Federal ESPC receivable	(110,374)	(111,982)
Inventory, net	(2,137)	10
Costs and estimated earnings in excess of billings	(23,130)	28,704
Prepaid expenses and other current assets	(11,084)	5,241
Project development costs	(5,641)	(6,984)
Other assets	(698)	(1,371)
Accounts payable, accrued expenses and other current liabilities	(8,931)	(16,532)
Billings in excess of cost and estimated earnings	(952)	11,166
Other liabilities	(1,602)	227
Income taxes payable	2,566	(2,038)
Cash flows from operating activities	(120,725)	(32,041)
Cash flows from investing activities:		
Purchases of property and equipment	(6,188)	(2,961)
Purchases of energy assets	(72,140)	(103,154)
Acquisitions, net of cash received	(1,279)	(3,592)
Contributions to equity investment	(323)	—
Cash flows from investing activities	(79,930)	(109,707)

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

AMERESCO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from financing activities:		
Payments of financing fees	$ (541)	$ (3,667)
Proceeds from exercises of options and ESPP	5,265	4,327
Repurchase of common stock	(139)	(1,772)
Proceeds (payments) from senior secured credit facility, net	41,343	(900)
Proceeds from long-term debt financings	7,614	78,914
Proceeds from Federal ESPC projects	115,556	113,570
Proceeds for energy assets from Federal ESPC	1,639	2,269
Proceeds from sale-leaseback financings	—	5,145
Contributions from redeemable non-controlling interests, net of distributions	20,173	3,731
Payments on long-term debt	(18,033)	(22,825)
Cash flows from financing activities	172,877	178,792
Effect of exchange rate changes on cash	249	(124)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(27,529)	36,920
Cash, cash equivalents, and restricted cash, beginning of period	97,913	60,105
Cash, cash equivalents, and restricted cash, end of period	$ 70,384	$ 97,025
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 12,410	$ 9,618
Cash paid for income taxes	$ 2,983	$ 2,018
Non-cash Federal ESPC settlement	$ 214,444	$ 82,536
Accrued purchases of energy assets	$ 17,224	$ 7,698
Conversion of revolver to term loan	$ 25,000	$ 25,000

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets to the total of the same such amounts shown above:

	Nine Months Ended September 30,	
	2019	2018
Cash and cash equivalents	$ 34,104	$ 64,539
Short-term restricted cash	13,498	13,461
Long-term restricted cash included in other assets	22,782	19,025
Total cash and cash equivalents, and restricted cash	$ 70,384	$ 97,025

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

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(in thousands, except per share amounts)

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements of Ameresco, Inc. (including its subsidiaries, the "Company") are unaudited, pursuant to certain rules and regulations of the Securities and Exchange Commission, and include, in the opinion of the Company, normal recurring adjustments necessary for a fair presentation in conformity with accounting principles generally accepted in the United States ("GAAP") of the results for the periods indicated.

The results of operations for the three and nine months ended September 30, 2019 are not necessarily indicative of results which may be expected for the full year. The December 31, 2018 consolidated balance sheet data was derived from audited financial statements, but certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. The interim condensed consolidated financial statements, and notes thereto, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018, and notes thereto, included in the Company's annual report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission on March 8, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are set forth in Note 2 to the consolidated financial statements contained in the Company's 2018 annual report on Form 10-K. The Company includes herein certain updates to those policies.

Restricted Cash

Restricted cash consists of cash and cash equivalents held in an escrow account in association with construction draws for energy savings performance contracts ("ESPC"), construction of energy assets, operations and maintenance ("O&M") reserve accounts and cash collateralized letters of credit as well as cash required under term loans to be maintained in debt service reserve accounts until all obligations have been indefeasibly paid in full. These accounts are primarily invested in highly liquid money market funds. The carrying amount of the cash and cash equivalents in these accounts approximates its fair value measured using level 1 inputs per the fair value hierarchy as defined in Note 10. Restricted cash also includes funds held for clients, which represent assets that, based upon the Company's intent, are restricted for use solely for the purposes of satisfying the obligations to remit funds to third parties, primarily utility service providers, relating to the Company's enterprise energy management services. As of September 30, 2019 and December 31, 2018, the Company classified the non-current portion of restricted cash of $22,782 and $19,637, respectively, in other assets on the accompanying condensed consolidated balance sheets.

Leases

As of January 1, 2019, the Company adopted Accounting Standard Update ("ASU") 2016-02, Leases (Topic 842) and, along with the standard, elected to take the practical expedient that the Company will not reassess lease classifications at adoption. Accordingly, the Company's sales-leaseback arrangements entered into as of December 31, 2018 will remain under the previous guidance. See Note 8 for additional information on these sale-leasebacks.

All significant lease arrangements are recognized at lease commencement. Operating lease right-of-use ("ROU") assets and lease liabilities are recognized at commencement. An ROU asset and corresponding lease liability are not recorded for leases with an initial term of 12 months or less (short term leases) as the Company recognizes lease expense for these leases as incurred over the lease term.

ROU assets represent the Company's right to use an underlying asset during the reasonably certain lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company uses its incremental borrowing rate, which is updated annually or when a significant event occurs that would indicate a significant change in rates, based on the information available at commencement date, in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments related to initial direct cost and prepayments and excludes lease incentives. Lease expense is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are accounted for as a single component. See Note 8 for additional discussion on the Company's leases.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except per share amounts)

Variable Interest Entities

The Company generally aggregates the disclosures of its variable interest entities ("VIEs") based on certain qualitative and quantitative factors including the purpose and design of the underlying VIEs, the nature of the assets in the VIE, and the type of involvement the Company has with the VIE including its role and type of interest held in the VIE. As of September 30, 2019, all of the fully consolidated VIEs that make up the Company's investment funds are similar in purpose, design, and the Company's involvement and, as such, are aggregated in one disclosure. See Note 12 for additional disclosures.

Equity Method Investment

The Company has entered into a joint venture and has determined it is not the primary beneficiary using the methodology previously described for variable interest entities. The Company does not consolidate the operations of this joint venture and treats the joint venture as an equity method investment. See Note 12 for additional information on the Company's equity method investment.

Recent Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, the Company is electing to only recognize lease assets and lease liabilities 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 condensed consolidated statements of income. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

On January 1, 2019, the Company adopted ASU No. 2016-02 using the modified retrospective approach of applying the new standard at the adoption date. See Note 8 for the impact of the adoption and the new disclosures required by this standard.

In March 2019, the FASB issued ASU No. 2019-01, Leases (Topic 842): Codification Improvements, which provides clarification and improvements to the previous issued guidance. The standard is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2019-01 on its condensed consolidated financial statements, but does not expect that the adoption of this guidance will have a significant impact on its condensed consolidated financial statements.

Intangibles-Goodwill and Other

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use-Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which clarifies the accounting for implementation, setup, and upfront costs and aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard is effective interim and annual periods beginning after December 15, 2019, with early adoption permitted, and can be applied either retrospectively or prospectively. The Company adopted this guidance as of January 1, 2019 and the adoption did not have an impact on the Company's condensed consolidated financial statements.

Derivatives and Hedging

In April 2019, the FASB issued ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments, which, among other things, clarifies some areas around partial-term fair value hedges interest rate risk, the amortization of fair value hedge basis adjustments and their disclosure, and some clarification of some matters related to transitioning to ASU No. 2017-12, which was adopted by the Company during the year ended December 31, 2018. For those that have already adopted ASU No. 2017-12, the new standard is effective the first annual period beginning after the issuance date of ASU No. 2019-04, or as of January 1, 2020 for the Company, with early adoption permitted. The Company is currently evaluating the impact of ASU No. 2019-04 on its condensed consolidated financial statements, but does not expect that the adoption of this guidance will have a significant impact on its condensed consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating the impact of ASU 2018-13 on its condensed consolidated financial statements, but does not expect that the adoption of this guidance will have a significant impact on its condensed consolidated financial statements.

Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU No. 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, to allow entities to reclassify the income tax effects of tax reform legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”) on items within accumulated other comprehensive income to retained earnings. ASU 2018-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2018, and early adoption is permitted. The Company adopted the guidance as of January 1, 2019. Upon adoption, the Company recognized an increase to retained earnings and a corresponding increase to accumulated other comprehensive loss of $217.

Consolidations

In October 2018, the FASB issued ASU No. 2018-17, Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities, which aligns the evaluation of whether a decision maker's fee is a variable interest with the guidance in the primary beneficiary test by requiring the decision maker to consider an indirect interest in a VIE held by related party under common control on a proportionate basis. The new standard is effective interim and annual periods beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of ASU 2018-17 on its condensed consolidated financial statements, but does not expect that the adoption of this guidance will have a significant impact on its condensed consolidated financial statements.

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
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3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The following table provides information about disaggregated revenue by line of business, reportable segments, and geographical region for the three and nine months ended September 30, 2019 and 2018.

	US Regions	U.S. Federal	Canada	Non-Solar DG	All Other	Total
Line of Business						
Three Months Ended September 30, 2019						
Project revenue	$ 72,667	$ 58,199	$ 9,380	$ 3,059	$ 2,592	$ 145,897
O&M revenue	4,280	11,123	—	2,330	88	17,821
Energy assets	6,699	1,339	1,327	16,421	—	25,786
Other	433	597	1,958	65	19,469	22,522
Total revenues	$ 84,079	$ 71,258	$ 12,665	$ 21,875	$ 22,149	$ 212,026
Three months ended September 30, 2018						
Project revenue	$ 77,345	$ 49,762	$ 9,206	$ 1,268	$ 4,074	$ 141,655
O&M revenue	4,432	10,733	15	2,006	—	17,186
Energy assets	4,064	1,507	921	18,790	222	25,504
Other	561	376	1,462	74	18,557	21,030
Total revenues	$ 86,402	$ 62,378	$ 11,604	$ 22,138	$ 22,853	$ 205,375
Nine Months Ended September 30, 2019						
Project revenue	$ 196,284	$ 134,954	$ 20,112	$ 6,318	$ 8,818	$ 366,486
O&M revenue	11,580	30,370	5	6,771	109	48,835
Energy assets	18,063	2,958	2,585	52,612	582	76,800
Other	1,969	1,055	4,994	669	59,513	68,200
Total revenues	$ 227,896	$ 169,337	$ 27,696	$ 66,370	$ 69,022	$ 560,321
Nine Months Ended September 30, 2018						
Project revenue	$ 223,662	$ 135,037	$ 21,459	$ 3,368	$ 8,844	$ 392,370
O&M revenue	12,396	29,477	34	6,260	—	48,167
Energy assets	12,844	3,416	2,304	50,405	821	69,790
Other	969	447	4,669	143	53,212	59,440
Total revenues	$ 249,871	$ 168,377	$ 28,466	$ 60,176	$ 62,877	$ 569,767

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
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	US Regions	U.S. Federal	Canada	Non-Solar DG	All Other	Total
Geographical Regions						
Three Months Ended September 30, 2019						
United States	$ 84,079	$ 71,258	$ 1,023	$ 21,875	$ 17,936	$ 196,171
Canada	—	—	11,642	—	50	11,692
Other	—	—	—	—	4,163	4,163
Total revenues	$ 84,079	$ 71,258	$ 12,665	$ 21,875	$ 22,149	$ 212,026
Three Months Ended September 30, 2018						
United States	$ 86,402	$ 62,378	$ 419	$ 22,138	$ 17,445	$ 188,782
Canada	—	—	11,185	—	33	11,218
Other	—	—	—	—	5,375	5,375
Total revenues	$ 86,402	$ 62,378	$ 11,604	$ 22,138	$ 22,853	$ 205,375
Nine Months Ended September 30, 2019						
United States	$ 227,896	$ 169,337	$ 2,281	$ 66,370	$ 56,052	$ 521,936
Canada	—	—	25,415	—	157	25,572
Other	—	—	—	—	12,813	12,813
Total revenues	$ 227,896	$ 169,337	$ 27,696	$ 66,370	$ 69,022	$ 560,321
Nine Months Ended September 30, 2018						
United States	$ 249,871	$ 168,377	$ 1,587	$ 60,176	$ 51,336	$ 531,347
Canada	—	—	26,879	—	261	27,140
Other	—	—	—	—	11,280	11,280
Total revenues	$ 249,871	$ 168,377	$ 28,466	$ 60,176	$ 62,877	$ 569,767

Contract Balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	September 30, 2019	December 31, 2018
Accounts receivable, net	$ 91,755	$ 85,985
Accounts receivable retainage, net	16,652	13,516
Contract Assets:		
Costs and estimated earnings in excess of billings	124,652	86,842
Contract Liabilities:		
Billings in excess of cost and estimated earnings	28,768	30,706

	September 30, 2018	January 1, 2018
Accounts receivable, net	$ 90,378	$ 85,121
Accounts receivable retainage, net	14,401	17,484
Contract Assets:		
Costs and estimated earnings in excess of billings	66,471	95,658
Contract Liabilities:		
Billings in excess of cost and estimated earnings	39,533	27,248

Accounts receivable retainage represents amounts due from customers, but where payments are withheld contractually until certain construction milestones are met. Amounts retained typically range from 5% to 10% of the total invoice. The Company classifies as a current asset those retainages that are expected to be billed in the next twelve months. Unbilled revenue, presented as costs and estimated earnings in excess of billings, represent amounts earned and billable that were not invoiced at the end of the fiscal period.

Contract assets represent the Company's rights to consideration in exchange for services transferred to a customer that have not been billed as of the reporting date. The Company's rights to consideration are generally unconditional at the time its performance obligations are satisfied.

At the inception of a contract, the Company expects the period between when it satisfies its performance obligations, and when the customer pays for the services, will be one year or less. As such, the Company has elected to apply the practical expedient which allows the Company to not adjust the promised amount of consideration for the effects of a significant financing component, when a financing component is present.

When the Company receives consideration, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of a sales contract, the Company records deferred revenue, which represents a contract liability. Such deferred revenue typically results from billings in excess of costs incurred and advanced payments received on project contracts. As of September 30, 2019 and December 31, 2018, the Company classified $5,534 and $6,343, respectively, as a non-current liability, included in other liabilities on the condensed consolidated balance sheets, for those performance obligations expected to be completed beyond the next twelve months.

The increase in contract assets for the nine months ended September 30, 2019 was primarily due to revenue recognized of approximately $351,180, offset in part by billings of approximately $321,344. The increase in contract liabilities was primarily driven by recognition of revenue as performance obligations were satisfied exceeding increases from the receipt of advance payments from customers, and related billings. For the nine months ended September 30, 2019, the Company recognized revenue of $58,594 that was previously included in the beginning balance of contract liabilities, and billed customers $53,652. Changes in contract liabilities are also driven by reclassifications to or from contract assets as a result of timing of customer payments.

The decrease in contract assets for the nine months ended September 30, 2018 was primarily due to billings of approximately $398,917, offset in part by revenue recognized of $344,768. The decrease in contract liabilities was primarily driven by reductions from recognition of revenue as performance obligations were satisfied exceeding the receipt of advance payments from customers, and related billings. For the nine months ended September 30, 2018, the Company recognized revenue of $116,892 that was previously included in the beginning balance of contract liabilities, and billed customers $119,961. Changes in contract liabilities are also driven by reclassifications to or from contract assets as a result of timing of customer payments.

Contracts are often modified for a change in scope or other requirements. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the Company's contract modifications are for goods or services that are not distinct from the existing performance obligations. The effect of a contract modification on the transaction price, and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase or decrease) on a cumulative catchup basis.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. Performance obligations are satisfied as of a point in time or over time and are supported by contracts with customers. For most of the Company's contracts, there are multiple promises of goods or services. Typically, the Company provides a significant service of integrating a complex set of tasks and components such as design, engineering, construction management, and equipment procurement for a project contract. The bundle of goods and services are provided to deliver one output for which the customer has contracted. In these cases, the Company considers the bundle of goods and services to be a single performance obligation. The Company may also promise to provide distinct goods or services within a contract, such as a project contract for installation of energy conservation measures and post-installation O&M services. In these cases the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation.

Backlog - The Company's remaining performance obligations (hereafter referred to as "backlog") represent the unrecognized revenue value of the Company's contract commitments. The Company's backlog may vary significantly each reporting period based on the timing of major new contract commitments and the backlog may fluctuate with currency movements. In addition, our customers have the right, under some circumstances, to terminate contracts or defer the timing of the Company's services and their payments to us. At September 30, 2019, the Company had backlog of approximately $1,696,200. Approximately 29% of our September 30, 2019 backlog is anticipated to be recognized as revenue in the next twelve months and the remaining, thereafter.

The Company has applied the practical expedient for certain revenue streams to exclude the value of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which the Company recognizes revenue in proportion to the amount it has the right to invoice for services performed.

Contract Acquisition Costs

The Company accounts for certain acquisition costs over the life of the contract, consisting primarily of commissions when paid. Commission costs are incurred commencing at contract signing. Commission costs are allocated across all performance obligations and deferred and amortized over the contract term of each performance obligations' completion period.

For contracts that have a duration of less than one year, the Company follows a practical expedient and expenses these costs when incurred. During the three and nine months ended September 30, 2019 and 2018, the amortization of commission costs related to contracts was not material and has been included in the accompanying condensed consolidated statements of income.

The Company capitalizes costs incurred related to the development of projects prior to contract signing as it is partial fulfillment of its performance obligations. Capitalized project development costs include only those costs incurred in connection with the development of energy projects, primarily direct labor, interest costs, outside contractor services, consulting fees, legal fees and travel, if incurred after a point in time where the realization of related revenue becomes probable. Project development costs incurred prior to the probable realization of revenue are expensed as incurred. The Company classifies as a current asset those project development efforts that are expected to proceed to construction activity in the twelve months that follow. The Company periodically reviews these balances and writes off any amounts where the realization of the related revenue is no longer probable. Project development costs of $1,673 and $639 were included in other long-term assets as of September 30, 2019 and December 31, 2018, respectively.

During the three months ended September 30, 2019 and 2018, $2,048 and $7,561, respectively, of project development costs were recognized in the condensed consolidated statements of income on projects that converted to customer contracts. During the nine months ended September 30, 2019 and 2018, $13,081 and $13,571, respectively, of project development costs were recognized in the condensed consolidated statements of income on projects that converted to customer contracts.

No impairment charges in connection with the Company's commission costs or project development costs were recorded during the periods ended September 30, 2019 and 2018.

4. BUSINESS ACQUISITIONS AND RELATED TRANSACTIONS

The Company accounts for acquisitions using the acquisition method in accordance with ASC 805, Business Combinations. The purchase price for each has been allocated to the net assets based on their estimated fair values at the date of each acquisition as set forth in the table below. The excess purchase price over the estimated fair value of the net assets, which are calculated using level 3 inputs per the fair value hierarchy as defined in Note 10, acquired has been recorded as goodwill. Intangible assets, if identified, have been recorded and are being amortized over periods ranging from one to fifteen years. See Note 5 for additional information.

Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions. Certain amounts below are provisional based on our best estimates using information available as of the reporting date. The Company is waiting for information to become available to finalize its valuation of certain elements of these transactions. Specifically, the assigned values for energy assets, intangibles, and goodwill are provisional in nature and subject to change upon the completion of the final valuation of such elements.

In January 2019, the Company completed an acquisition of a Massachusetts based solar operations and maintenance firm for consideration of $1,279. The final purchase price is subject to a net working capital adjustment, dependent on the level of working capital at the acquisition date, that has not yet been finalized at September 30, 2019. The pro-forma effects of this acquisition on our operations are not material. During the nine months ended September 30, 2019, the Company had a measurement period adjustment of $91, which was recorded as a reduction to goodwill in connection with this acquisition.

(in thousands, except per share amounts)

A summary of the cumulative consideration paid and the allocation of the purchase price of all of the acquisitions in each respective period is as follows:

	September 30, 2019	December 31, 2018
Accounts receivable	$ 150	$ 1,015
Prepaid expenses and other current assets	2	12
Property and equipment and energy assets	315	—
Intangibles	500	680
Goodwill	315	2,845
Accounts payable	(32)	(67)
Billings in excess of cost and estimated earnings	(62)	—
Purchase price	$ 1,188	$ 4,485
Total, net of cash received	$ 1,188	$ 4,485
Debt assumed	$ —	$ —
Total fair value of consideration	$ 1,188	$ 4,485

The results of the acquired assets since the dates of the acquisitions have been included in the Company's operations as presented in the accompanying condensed consolidated statements of income, condensed consolidated statements of comprehensive income and condensed consolidated statements of cash flows.

During the nine months ended September 30, 2019, the Company had an additional measurement period adjustment of $628 related to a 2018 acquisition which was recorded as a reduction to goodwill and included a $398 reduction in the hold back contingency discussed further in Notes 5 and 9.

During the nine months ended September 30, 2019, in order to expand its portfolio of energy assets, the Company acquired 4 solar projects from a developer. The Company has concluded that in accordance with ASC 805, Business Combinations, these acquisitions did not constitute a business as the assets acquired in each case are considered a single asset or group of similar assets that made up substantially all of the fair market value of the acquisitions. See Note 6 for additional disclosures on these asset acquisitions.

5. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying value of goodwill attributable to each reportable segment are as follows:

	U.S. Regions	U.S. Federal	Canada	Non-solar DG	Other	Total
Balance, December 31, 2018	$ 26,370	$ 4,609	$ 3,217	$ —	$ 24,136	$ 58,332
Goodwill acquired during the year	406	—	—	—	—	406
Re-measurement adjustment	(91)	(628)	—	—	—	(719)
Currency effects	—	—	95	—	(215)	(120)
Balance, September 30, 2019	$ 26,685	$ 3,981	$ 3,312	$ —	$ 23,921	$ 57,899
Accumulated Goodwill Impairment						
Balance, December 31, 2018	$ —	$ —	$ (1,016)	$ —	$ —	$ (1,016)
Balance, September 30, 2019	$ —	$ —	$ (1,016)	$ —	$ —	$ (1,016)

The Company completed one acquisition during the nine months ended September 30, 2019, which resulted in a $315 net increase in goodwill as disclosed in Note 4. During the nine months ended September 30, 2019, the Company recorded measurement period adjustments which resulted in a reduction of goodwill of $719. See Note 4 for further discussion surrounding the measurement period adjustments.

Since the Company's annual goodwill impairment test there have been no events that would have triggered a need for an interim impairment test.

Separable intangible assets that are not deemed to have indefinite lives are amortized over their useful lives. The Company annually assesses whether a change in the life over which the Company's assets are amortized is necessary, or more frequently if events or circumstances warrant.

Acquired intangible assets other than goodwill that are subject to amortization include customer contracts, customer relationships, non-compete agreements, technology and trade names. Customer contracts are amortized ratably over the period of the acquired customer contracts ranging in periods from approximately one to five years. All other acquired intangible assets are amortized over periods ranging from approximately four to fifteen years, as determined by the nature of the respective intangible asset. As discussed in Note 4, the Company completed an acquisition in January 2019 which resulted in a $500 increase in customer relationships, which will be amortized over an 8 year period.

The gross carrying amount and accumulated amortization of intangible assets are as follows:

	As of September 30, 2019	As of December 31, 2018
Gross Carrying Amount		
Customer contracts	$ 7,778	$ 7,818
Customer relationships	12,438	12,082
Non-compete agreements	2,991	3,013
Technology	2,722	2,710
Trade names	543	541
	26,472	26,164
Accumulated Amortization		

Customer contracts	7,695	7,668
Customer relationships	10,740	10,302
Non-compete agreements	2,991	3,013
Technology	2,707	2,651
Trade names	529	526
	24,662	24,160
Intangible assets, net	$ 1,810	$ 2,004

Amortization expense related to customer contracts is included in cost of revenues in the condensed consolidated statements of income. Amortization expense related to all other acquired intangible assets is included in selling, general and administrative expenses in the condensed consolidated statements of income. Amortization expense for the three months ended September 30, 2019 and 2018 related to customer contracts was $22 and $0, respectively. Amortization expense for the three months ended September 30, 2019 and 2018 related to all other acquired intangible assets and was $202 and $269, respectively. Amortization expense for the nine months ended September 30, 2019 and 2018 related to customer contracts was $67 and $0, respectively. Amortization expense for the nine months ended September 30, 2019 and 2018 related to all other acquired intangible assets and was $614 and $771, respectively.

(in thousands, except per share amounts)

6. ENERGY ASSETS

Energy assets consist of the following:

	September 30, 2019	December 31, 2018
Energy assets	$ 693,916	$ 619,708
Less - accumulated depreciation and amortization	(186,157)	(159,756)
Energy assets, net	$ 507,759	$ 459,952

Included in energy assets are financing lease assets and accumulated depreciation of financing lease assets. Financing lease assets consist of the following:

	September 30, 2019	December 31, 2018
Financing lease assets	$ 42,402	$ 42,402
Less - accumulated depreciation and amortization	(5,736)	(4,139)
Financing lease assets, net	$ 36,666	$ 38,263

Depreciation and amortization expense on the above energy assets, net of deferred grant amortization, for thethree months ended September 30, 2019 and 2018 was $8,843 and $6,753, respectively, and is included in cost of revenues in the accompanying condensed consolidated statements of income. Included in these depreciation and amortization expense totals are depreciation and amortization expense on financing lease assets of $533 and $499 for the three months ended September 30, 2019 and 2018, respectively. Depreciation and amortization expense on the above energy assets, net of deferred grant amortization, for the nine months ended September 30, 2019 and 2018 was $26,338 and $19,699, respectively, and is included in cost of revenues in the accompanying condensed consolidated statements of income. Included in these depreciation and amortization expense totals are depreciation and amortization expense on financing lease assets of $1,597 and $1,538 for the nine months ended September 30, 2019 and 2018, respectively.

The Company capitalizes interest costs relating to construction financing during the period of construction. Capitalized interest is included in energy assets, net in the Company's condensed consolidated balance sheets. Capitalized interest is amortized to cost of revenues in the Company's condensed consolidated statements of income on a straight line basis over the useful life of the associated energy asset. There was $632 and $638 of interest capitalized for the three months ended September 30, 2019 and 2018, respectively. There was $2,210 and $2,376 of interest capitalized for the nine months ended September 30, 2019 and 2018, respectively.

As of September 30, 2019 and December 31, 2018, there are 3 ESPC asset projects which are included within energy assets, net on the Company's condensed consolidated balance sheets. The Company controls and operates the assets as well as obtains financing during the construction period of the assets. As the Company has an obligation to the customer for performance of the asset, the Company records a liability associated with these energy assets, although, the customer is responsible for payments to the lender based on the energy asset's production. As of September 30, 2019 and December 31, 2018, the liabilities recognized in association with these assets were $10,233 and $8,224, respectively, of which $724 and $354, respectively, has been classified as the current portion and is included in accrued expenses and other current liabilities and the remainder is included in other liabilities in the accompanying condensed consolidated balance sheets.

During the nine months ended September 30, 2019, in order to expand its portfolio of energy assets, the Company acquired several energy projects, which did not constitute businesses under ASU 2017-01, Business Combinations. The Company acquired and closed on 4 solar projects from a developer for a total purchase price of $2,529. The purchase price included deferred consideration of $668 that will be paid upon final completion of the respective projects throughout 2019. As of September 30, 2019, the Company has paid $1,861 to the developers of the projects. The Company also has a definitive agreement to purchase an additional 3 solar projects from a developer for a total purchase price of $4,556, of which, the Company has paid $456 to the developers of the projects. As of September 30, 2019, the Company has remaining deferred purchase price consideration on previously closed projects of $4,122.

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As of September 30, 2019, the Company had $863 in ARO assets recorded in project assets, net of accumulated depreciation, and $930 in ARO liabilities recorded in accrued expenses and other current liabilities and other liabilities. During the three and nine months ended September 30, 2019, the Company recorded $12 and $34, respectively, of depreciation expense related to the ARO asset. During the three and nine months ended September 30, 2019, the Company recorded $10 and $32, respectively, in accretion expense to the ARO liability, which is reflected in the accretion of ARO and contingent consideration on the condensed consolidated statements of cash flows. The Company's current ARO liabilities relate to the removal of equipment and pipelines at certain renewable gas projects and obligations related to the decommissioning of certain solar facilities.

7. INCOME TAXES

The Company recorded a provision for income taxes of $939 and $3,351, respectively, for the three months ended September 30, 2019 and 2018. The Company recorded a provision for income taxes of $2,000 for the nine months ended September 30, 2019 and a provision for income taxes of $1,879 for the nine months ended September 30, 2018. The estimated effective annualized tax rate impacted by discrete items is 10.1% for the three months ended September 30, 2019 compared to a 23.8% estimated effective annualized tax rate impacted by the period discrete items for the three months ended September 30, 2018. The estimated effective annualized tax rate impacted by period discrete items is 9.2% for the nine months ended September 30, 2019 compared to 6.5% for the nine months ended September 30, 2018.

The principal reason for the difference between the statutory rate and the estimated annual effective rate for 2019 were the effects of investment tax credits to which the Company is entitled from solar plants which have been placed into service or are forecasted to be placed into service during 2019. The principle reasons for the difference between the statutory rate and the estimated annual effective tax rate for 2018 were the effects of a $5,900 benefit of the 2017 Section 179D deduction, which was extended in February 2018 and was included as a tax deduction in 2018, and the use of investment tax credits to which the Company is entitled from owned plants.

The investment tax credits and production tax credits to which the Company may be entitled fluctuate from year to year based on the cost of the renewable energy plants the Company places or expects to place in service and production levels at company owned facilities in that year. As part of the Bipartisan Budget Act signed into law on February 9, 2018 the Section 179D deduction for 2017 was retroactively extended. The Section 179D deduction has not been re-approved for tax years beginning after 2017.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows:

	Gross Unrecognized Tax Benefits
Balance, December 31, 2018	$ 1,600
Additions for prior year tax positions	—
Settlements with tax authorities	—
Reductions of prior year tax positions	—
Balance, September 30, 2019	$ 1,600

At September 30, 2019 and December 31, 2018, the Company had approximately $1,600 of total gross unrecognized tax benefits. At September 30, 2019 and December 31, 2018, the Company had approximately $705 of total gross unrecognized tax benefits (both net of the federal benefit on state amounts) representing the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in any future periods.

The Company has presented all deferred tax assets and liabilities as net liabilities and noncurrent on its condensed consolidated balance sheets as of September 30, 2019 and December 31, 2018.

8. LEASES

On January 1, 2019, the Company adopted ASU No. 2016-02, Leases (Topic 842), using the modified retrospective approach. The Company elected the package of practical expedients available in the standard and as a result, did not reassess the lease classification of existing contracts or leases or the initial direct costs associated with existing leases. The Company has also elected the practical expedient to not separate lease components and non-lease components and will account for the leases as a single lease component for all classes of leases.

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As a result of the adoption of ASC 842, the Company recognized an increase in lease ROU assets of$31,639, current portions of operating lease ROU liabilities of$5,084 and an increase to long-term portions of operating lease liabilities of $28,480. There was no net impact to the condensed consolidated statements of income or retained earnings for the adoption of ASC 842. No impairment was recognized on the ROU asset upon adoption. These adjustments are detailed as follows:

	As of January 1, 2019		
	As Reported	842 Adjustment	Adjusted Balances
Operating Leases:			
Operating lease assets	$ —	$ 31,639	$ 31,639
Current portions of operating lease liabilities	—	5,084	5,084
Long-term portions of operating lease liabilities	—	28,480	28,480
Total operating lease liabilities	$ —	$ 33,564	$ 33,564
Weighted-average remaining lease term			10 years
Weighted-average discount rate			6.0%
Financing Leases:			
Energy assets, net	$ 38,263	$ —	$ 38,263
Current portions of financing lease liabilities	4,956	—	4,956
Long-term financing lease liabilities, less current portions and net of deferred financing fees	28,407	—	28,407
Total financing lease liabilities	$ 33,363	$ —	$ 33,363
Weighted-average remaining lease term			18 years
Weighted-average discount rate			11.7%

The Company enters into a variety of operating lease agreements through the normal course of its business including certain administrative offices. The leases are long-term, non-concealable real estate lease agreements, expiring at various dates through fiscal 2025. The agreements generally provide for fixed minimum rental payments and the payment of utilities, real estate taxes, insurance and repairs. The Company also leases certain land parcels related to our energy projects, expiring at various dates through fiscal 2044. The office and land leases make up a significant portion of the Company's operating lease activity. Many of these leases have one or more renewal options that allow the Company, at it's discretion, to renew the lease for six months to seven years. Only renewal options that the Company believed were likely to be exercised were included in our lease calculations. Many land leases include minimum lease payments that increase when the related project becomes operational. In these cases, the commercial operation date was estimated by the Company and used to calculate the estimated minimum lease payments.

The Company also enters into leases for IT equipment and service agreements, automobiles, and other leases related to our construction projects such as equipment, mobile trailers and other temporary structures. The Company utilizes the portfolio approach for this class of lease. These leases are either short-term in nature or immaterial.

A portion of the Company's real estate leases are generally subject to annual changes in the Consumer Price Index ("CPI"). The Company utilized each lease's minimum lease payments to calculate the lease balances upon transition. The subsequent increases in rent based on changes in CPI were excluded and will be excluded for future leases from the calculation of the lease balances, but will be recorded to the condensed consolidated statement of income as part of our operating lease costs.

The Company has elected the practical expedient to not separate lease and non-lease components for existing leases for real estate and land leases. Going forward if a lease has non-lease components the Company will allocate consideration based on price information in the agreement or, if this information is not available, the Company will make a good faith estimate based on available pricing information at the time.

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The discount rate was calculated using an incremental borrowing rate based on financing rates on secured comparable notes with comparable terms and a synthetic credit rating calculated by a third party. The Company elected to apply the discount rate using the remaining lease term at the date of adoption.

The Company has a number of leases that are classified as financing leases, which relate to transactions that are considered sale-leasebacks under ASC 840. See the sale-leaseback section below for additional information on the Company's financing leases.

Supplemental balance sheet information related to leases atSeptember 30, 2019 is as follows:

	September 30, 2019
Operating Leases:	
Operating lease assets	$ 32,540
Current operating lease liabilities	5,935
Long-term portions of operating lease liabilities	28,799
Total operating lease liabilities	$ 34,734
Weighted-average remaining lease term	10 years
Weighted-average discount rate	6.3 %
Financing Leases:	
Energy assets, net	$ 36,666
Current portions of financing lease liabilities	5,008
Long-term financing lease liabilities, less current portions and net of deferred financing fees	26,098
Total financing lease liability	$ 31,106
Weighted-average remaining lease term	17 years
Weighted-average discount rate	11.8 %

The costs related to our leases are as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating Lease:		
Operating lease costs	$ 1,913	$ 5,660
Financing Lease:		
Amortization expense	533	1,597
Interest on lease liabilities	854	2,750
Total lease costs	$ 3,300	$ 10,007

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The Company's estimated minimum future lease obligations under our leases are as follows:

	Operating Leases	Financing Leases
Year ended December 31,		
2019	$ 1,851	$ 4,302
2020	7,523	7,881
2021	6,156	6,775
2022	5,600	5,173
2023	4,348	3,686
Thereafter	22,977	26,799
Total minimum lease payments	$ 48,455	$ 54,616
Less: interest	13,721	23,510
Present value of lease liabilities	$ 34,734	$ 31,106

The Company has determined that certain power purchase agreements ("PPAs") contain a lease component in accordance with ASC 840, Leases. The Company recognized $2,243 and $6,737 of operating lease revenue under these agreements during the three and nine months ended September 30, 2019, respectively, which was reflected in revenues on the condensed consolidated statements of income. PPAs signed after January 1, 2019 no longer meet the definition of a lease upon the adoption of ASC 842, Leases, and are instead accounted for in accordance with ASC 606, Revenues From Contracts With Customers.

Sale-Leaseback

For solar PV projects that the Company has determined not to be integral equipment, the Company then determines if the leaseback should be classified as a financing lease or an operating lease. All solar PV projects sold to date under the sale-leaseback program have been determined by the Company to be financing leases. For leasebacks classified as financing leases, the Company initially records a financing lease asset and financing lease obligation in its condensed consolidated balance sheets equal to the lower of the present value of the Company's future minimum leaseback payments or the fair value of the solar PV project. For financing leasebacks, the Company defers any gain or loss, representing the excess or shortfall of cash received from the investor compared to the net book value of the asset in the Company's condensed consolidated balance sheets at the time of the sale. The Company records the long term portion of any deferred gain or loss in other liabilities and other assets, respectively, and the current portion of any deferred gain and loss in accrued expenses and other current liabilities and prepaid expenses and other current assets, respectively, in its condensed consolidated balance sheets and amortizes the deferred amounts over the lease term in cost of revenues in its condensed consolidated statements of income. Net amortization expense in cost of revenues related to deferred gains and losses was $57 and $48 of net gains for the three months ended September 30, 2019 and 2018, respectively. Net amortization expense in cost of revenues related to deferred gains and losses was $172 and $153 for the nine months ended September 30, 2019 and 2018, respectively.

During the third quarter of 2018, the Company entered into an agreement with an investor which gives us the option to sell and contemporaneously lease back solar photovoltaic ("solar PV") projects through August 2019 up to a maximum funding amount of $100.0 million. The Company amended this agreement to extend the term through November 2019. As of September 30, 2019, $90.2 million remained available under the lending commitment.

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A summary of amounts related to sale leasebacks in the Company's condensed consolidated balance sheets is as follows:

	September 30, 2019	December 31, 2018
Financing lease assets, net	$ 36,666	$ 38,263
Deferred loss, short-term, net	115	115
Deferred loss, long-term, net	1,830	1,917
Total deferred loss	$ 1,945	$ 2,032
Financing lease liabilities, short-term	5,008	4,956
Financing lease liabilities, long-term	26,098	28,407
Total financing lease liabilities	$ 31,106	$ 33,363
Deferred gain, short-term, net	345	345
Deferred gain, long-term, net	5,549	5,808
Total deferred gain	$ 5,894	$ 6,153

9. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is involved in a variety of claims and other legal proceedings generally incidental to its normal business activities. While the outcome of any of these proceedings cannot be accurately predicted, the Company does not believe the ultimate resolution of any of these existing matters would have a material adverse effect on its financial condition or results of operations.

Commitments as a Result of Acquisitions

In May 2018, the Company completed an acquisition which provided for a $425 cash consideration hold back upon the Company collecting certain acquired receivables, which was subsequently reduced to $27. As of September 30, 2019. the consideration is currently due and is recorded in the accrued expenses and other current liabilities line on the condensed consolidated balance sheets.

In August 2018, the Company completed an acquisition which provided for a revenue earn-out contingent upon the acquired business meeting certain cumulative revenue targets over five years from the acquisition date. The Company evaluated financial forecasts of the acquired business and concluded that the fair value of this earn-out was approximately $555, which was subsequently increased to $650 as of September 30, 2019 and is recorded in the other liabilities on the condensed consolidated balance sheets. The contingent consideration will be paid yearly, commencing in 2020, if any of the cumulative revenue targets are achieved. The fair value of the earn-out will be periodically re-evaluated and adjustments will be recorded as needed. See Note 10 for additional information.

In November 2018, the Company completed an acquisition of certain lease options, which provided for an earn-out if the lease option is exercised and if certain financial metrics are achieved. The Company evaluated the acquired lease options and concluded that the fair-value of this contingent liability was approximately $363, which was subsequently increased to $378 at September 30, 2019 and is recorded in accrued expenses and other current liabilities and other liabilities on the condensed consolidated balance sheets. Payments will be made when milestones are achieved. The contingent liability will be periodically re-evaluated and adjustments will be recorded as needed. See Note 10 for additional information.

10. FAIR VALUE MEASUREMENT

The Company recognizes its financial assets and liabilities at fair value on a recurring basis (at least annually). Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

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Three levels of inputs that may be used to measure fair value are as follows:

Level 1: Inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2: Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following table presents the input level used to determine the fair values of the Company's financial instruments measured at fair value on a recurring basis:

		Fair Value as of	
	Level	September 30, 2019	December 31, 2018
Assets:			
Interest rate swap instruments	2	$ 41	$ 733
Commodity swap instruments	2	167	33
Total assets		$ 208	$ 766
Liabilities:			
Interest rate swap instruments	2	$ 7,600	$ 3,187
Commodity swap instruments	2	—	70
Interest make-whole provisions	2	873	1,808
Contingent revenue earn-out	3	1,028	962
Total liabilities		$ 9,501	$ 6,027

The fair value of the Company's interest rate swaps was determined using cash flow analysis on the expected cash flow of the contract in combination with observable market-based inputs, including interest rate curves and implied volatilities. As part of this valuation, the Company considered the credit ratings of the counterparties to the interest rate swaps to determine if a credit risk adjustment was required.

The fair value of the Company's commodity swaps was determined using a cash flow analysis on the expected cash flow of the contract in combination with observable forward price inputs obtained from a third-party pricing source. As part of this valuation, the Company considered the credit ratings of the counterparties to the commodity swaps to determine if a credit risk adjustment was required.

The fair value of the Company's make-whole provisions were determined by comparing them against the rates of similar debt instruments under similar terms without a make-whole provision obtained from various highly rated third-party pricing sources.

The fair value of the Company's contingent consideration liabilities were determined by evaluating the acquired asset's future financial forecasts and evaluating which, if any, of the cumulative revenue targets, financial metrics and/or milestones are likely to be met. The Company has classified contingent consideration related to certain acquisitions within level 3 of the fair value hierarchy because the fair value is derived using significant unobservable inputs, which include discount rates and probability-weighted cash flows. The Company determined the fair value of its contingent consideration obligations based on a probability-weighted income approach derived from financial performance estimates and probability assessments of the attainment of certain targets. The Company establishes discount rates to be utilized in its valuation models based on the cost to borrow that would be required by a market participant for similar instruments. In determining the probability of attaining certain technical, financial and operation targets, the Company utilizes data regarding similar milestone events from the Company's experience, while considering the inherent difficulties and uncertainties in developing a product. On a quarterly basis, the Company reassesses the probability factors associated with the financial, operational and technical targets for its contingent consideration obligations. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period.

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The key assumptions as of September 30, 2019, related to the contingent consideration from the August 2018 acquisition of certain assets, used in the model include a discount rate of 18% for purposes of discounting the low and base case scenarios associated with achievement of the financial based earn-out. The probabilities assigned to these scenarios were 50% for both the low and base case scenarios. An increase or decrease in the probability of achievement of any scenario could result in a significant increase or decrease to the estimated fair value of the contingent consideration liability.

The key assumptions as of September 30, 2019, related to the contingent consideration from the November 2018 acquisition of certain lease options, used in the model include a discount rate of 18% for purposes of discounting the low, base and high case scenarios associated with achievement of the financial based earn-out. The probabilities assigned to these scenarios were 20% for the low case, 75% for the base case and 5% for the high case. An increase or decrease in the probability of achievement of any scenario could result in a significant increase or decrease to the estimated fair value of the contingent consideration liability.

The following table sets forth a summary of changes in fair value of contingent liabilities classified as Level 3 for the nine months ended September 30, 2019:

	Nine Months Ended September 30, 2019
Contingent consideration liabilities balance at December 31, 2018	$ 962
Changes in the fair value of contingent consideration obligation	$ 66
Contingent consideration liabilities balance at September 30, 2019	$ 1,028

The fair value of financial instruments is determined by reference to observable market data and other valuation techniques, as appropriate. The only category of financial instruments where the difference between fair value and recorded book value is notable is long-term debt. At September 30, 2019 and December 31, 2018 the fair value of the Company's long-term debt was estimated using discounted cash flows analysis, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements which are considered to be level two inputs. There have been no transfers in or out of level two or level three financial instruments for the nine months ended September 30, 2019 and the year ended December 31, 2018.

Based on the analysis performed, the fair value and the carrying value of the Company's long-term debt, excluding financing leases, are as follows:

	As of September 30, 2019		As of December 31, 2018	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt (Level 2)	$ 249,404	$ 247,618	$ 211,823	$ 212,687

The Company is also required periodically to measure certain other assets at fair value on a nonrecurring basis, including long-lived assets, goodwill and other intangible assets. There were no assets recorded at fair value on a non-recurring basis at September 30, 2019 or December 31, 2018.

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11. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

At September 30, 2019 and December 31, 2018, the following table presents information about the fair value amounts of the Company's derivative instruments are as follows:

	Derivatives as of			
	September 30, 2019		December 31, 2018	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Designated as Hedging Instruments:				
Interest rate swap contracts	Other assets	$ 41	Other assets	$ 703
Interest rate swap contracts	Other liabilities	7,565	Other liabilities	3,187
Derivatives Not Designated as Hedging Instruments:				
Interest rate swap contracts	Other assets	$ —	Other assets	$ 30
Interest rate swap contracts	Other liabilities	35	Other liabilities	—
Commodity swap contracts	Other assets	167	Other assets	33
Commodity swap contracts	Other liabilities	—	Other liabilities	70
Interest make-whole provisions	Other liabilities	873	Other liabilities	1,808

As of September 30, 2019 and December 31, 2018 all but three and four, respectively, of the Company's freestanding derivatives were designated as hedging instruments.

The following tables present information about the effects of the Company's derivative instruments on the condensed consolidated statements of income and condensed consolidated statements of comprehensive income:

	Location of (Gain) Loss Recognized in Net Income	Amount of (Gain) Loss Recognized in Net Income			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Derivatives Designated as Hedging Instruments:					
Interest rate swap contracts	Other expenses, net	$ 44	$ (41)	$ (6)	$ (166)
Derivatives not Designated as Hedging Instruments:					
Interest rate swap contracts	Other expenses, net	$ (3)	$ (271)	$ 66	$ (344)
Commodity swap contracts	Other expenses, net	$ (31)	$ (33)	$ (203)	$ 12
Interest make-whole provision	Other expenses, net	$ (150)	$ 16	$ (935)	$ 16

	Nine Months Ended September 30, 2019
Derivatives Designated as Hedging Instruments:	
Accumulated loss in AOCI at the beginning of the period	$ (1,824)
Cumulative impact from the adoption of ASU No. 2018-02	(217)
Unrealized loss recognized in AOCI	(3,714)
Gain reclassified from AOCI to other expenses, net	7
Accumulated loss in AOCI at the end of the period	$ (5,748)

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In the third quarter of 2018, the Company adopted ASU 2017-12, which resulted in an increase to retained earnings of $432 and accumulated other comprehensive loss of $486 to remove the cumulative effect of hedging ineffectiveness previously recognized in earnings, as of July 1, 2018, for contracts designated as hedging instruments that were outstanding at the beginning of the third quarter 2018. Upon adoption of the ASU, the impact to reclassify the ineffectiveness of the Company's hedge instruments in connection with prior periods was recorded. Accordingly, the Company's condensed consolidated statement of changes in redeemable non-controlling interests and stockholders' equity for the nine months ended September 30, 2018 reflect the adoption of ASU 2017-12.

The following tables present a listing of all the Company's active derivative instruments as of September 30, 2019:

Active Interest Rate Swap	Effective Date	Expiration Date	Initial Notional Amount ($)	Status
11-Year, 5.77% Fixed	October 2018	October 2029	$ 9,200	Designated
15-Year, 3.19% Fixed	June 2018	June 2033	10,000	Designated
3-Year, 2.46% Fixed	March 2018	December 2020	17,100	Not Designated
10-Year, 4.74% Fixed	June 2017	December 2027	14,100	Designated
15-Year, 3.26% Fixed	February 2023	December 2038	14,084	Designated
7-Year, 2.19% Fixed	February 2016	February 2023	20,746	Designated
8-Year, 3.70% Fixed	March 2020	June 2028	14,643	Designated
8-Year, 3.70% Fixed	March 2020	June 2028	10,734	Designated
8-Year, 1.71% Fixed	October 2012	March 2020	9,665	Designated
8-Year, 1.71% Fixed	October 2012	March 2020	7,085	Designated
15-Year, 5.30% Fixed	February 2006	February 2021	3,256	Designated
15.5-Year, 5.40% Fixed	September 2008	March 2024	13,081	Designated

Active Commodity Swap	Effective Date	Expiration Date	Initial Notional Amount (Volume)	Commodity Measurement	Status
1-Year, $2.68 MMBtu Fixed	May 2019	April 2020	437,004	MMBtus	Not Designated
1-Year, $2.70 MMBtu Fixed	May 2020	April 2021	435,810	MMBtus	Not Designated

Other Derivatives	Classification	Effective Date	Expiration Date	Fair Value ($)
Interest make-whole provisions	Liability	June/August 2018	December 2038	$ 873

12. INVESTMENT FUNDS AND OTHER VARIABLE INTEREST ENTITIES

Investment Funds

In each of September 2015, June 2017, June 2018 and October 2018, the Company formed an investment fund with a different third-party investor which granted the applicable investor ownership interests in the net assets of certain of the Company's renewable energy project subsidiaries. The Company currently has four such investment funds each with a different third-party investor.

The Company consolidates the investment funds, and all inter-company balances and transactions between the Company and the investment funds are eliminated in its condensed consolidated financial statements. The Company determined that the investment funds meet the definition of a VIE.

The Company uses a qualitative approach in assessing the consolidation requirement for VIEs that focuses on determining whether the Company has the power to direct the activities of the VIE that most significantly affect the VIE's economic performance and whether the Company has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

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The Company has considered the provisions within the contractual arrangements that grant it power to manage and make decisions that affect the operation of these VIEs, including determining the solar energy systems and associated long term customer contracts to be sold or contributed to the VIEs, and installation, operation and maintenance of the solar energy systems. The Company considers that the rights granted to the other investors under the contractual arrangements are more protective in nature rather than participating rights. As such, the Company has determined it is the primary beneficiary of the VIEs for all periods presented. The Company evaluates its relationships with VIEs on an ongoing basis to ensure that it continues to be the primary beneficiary.

Under the related agreements, cash distributions of income and other receipts by the funds, net of agreed-upon expenses and estimated expenses, tax benefits and detriments of income and loss, and tax benefits of tax credits, are assigned to the funds' investor and Company's subsidiaries as specified in contractual arrangements. Certain of these arrangements have call and put options to acquire the investor's equity interest as specified in the contractual agreements. See Note 13 for additional information on the call and put options.

A summary of amounts related to the investment funds in the Company's condensed consolidated balance sheets is as follows:

	September 30, 2019[(1)]	December 31, 2018[(1)]
Cash and cash equivalents	$ 2,777	$ 1,255
Restricted cash	156	156
Accounts receivable, net	695	374
Costs and estimated earnings in excess of billings	2,531	498
Prepaid expenses and other current assets	134	190
Total VIE current assets	6,293	2,473
Property and equipment, net	285	—
Energy assets, net	121,918	122,641
Operating lease assets	6,048	—
Other assets	1,669	1,613
Total VIE assets	$ 136,213	$ 126,727
Current portions of long-term debt and financing lease liabilities	$ 2,270	$ 1,712
Accounts payable	149	234
Accrued expenses and other current liabilities	3,948	4,146
Current portions of operating lease liabilities	91	—
Total VIE current liabilities	6,458	6,092
Long-term debt and financing lease liabilities, less current portions and net of deferred financing fees	25,493	26,461
Deferred income taxes, net	460	—
Long-term portions of operating lease liabilities	6,264	—
Other liabilities	873	2,131
Total VIE liabilities	$ 39,548	$ 34,684

(1) The amounts in the above table are reflected in footnote 1 on the Company's condensed consolidated balance sheets. See the Company's condensed consolidated balance sheets for additional information.

Other Variable Interest Entities

The Company follows guidance on the consolidation of VIEs that requires companies to utilize a qualitative approach to determine whether it is the primary beneficiary of a VIE. The process for identifying the primary beneficiary of a VIE requires consideration of the factors that indicate a party has the power to direct the activities that most significantly impact the joint ventures

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economic performance, including powers granted to the joint ventures program manager, powers contained in the joint venture governing board and, to a certain extent, a company's economic interest in the joint venture. The Company analyzes its joint ventures and classifies them as either:

- a VIE that must be consolidated because the Company is the primary beneficiary or the joint venture is not a VIE and the Company holds the majority voting interest with no significant participative rights available to the other partners; or
- a VIE that does not require consolidation and is treated as an equity method investment because the Company is not the primary beneficiary or the joint venture is not a VIE and the Company does not hold the majority voting interest.

The Company executes certain contracts jointly with third parties through various forms of joint ventures. Although the joint ventures own and hold the contracts with the clients, the services required by the contracts are typically performed by the Company and the Company's joint venture partners, or by other subcontractors under subcontracting agreements with the joint ventures. Many of these joint ventures are formed for a specific project. The assets of the Company's joint ventures generally consist almost entirely of cash and land, and the liabilities of our joint ventures generally consist almost entirely of amounts due to the joint venture partners. Many of the joint ventures are deemed to be VIEs because they lack sufficient equity to finance the activities of the joint venture.

In January 2019, the Company entered into a joint venture with one other party to co-own an entity whose purpose is owning and leasing a parcel of land and attached structures to third-party entities. The joint venture has no employees and is controlled by the board of directors made up of representatives from both companies. Prior to January 2019, the Company had determined it was the primary beneficiary of the VIE and fully consolidated the entity. Upon the formation of the joint venture, the Company determined it was no longer the primary beneficiary, based on the assessment of considerations referenced above, and deconsolidated the VIE and recorded the Company's investment in the joint venture as an equity method investment. With the deconsolidation of the VIE and the recognition of the equity method investment the Company recognized a gain of $2,160 in operating income and recorded an equity method investment of $1,361 in other assets. In addition, the Company has loaned the joint venture $1,506 and made an initial contribution at its formation in exchange for 50% of the shares in the joint venture.

Unconsolidated joint ventures are accounted for under the equity method. For those joint ventures, the Company's investment balances for the joint venture are included in other assets on the condensed consolidated balance sheets and the Company's pro rata share of net income or loss is included in operating income. The Company's investments in equity method joint ventures on the condensed consolidated balance sheets as of September 30, 2019 and December 31, 2018 was a net asset of $1,290 and $0, respectively. During the three and nine months ended September 30, 2019, the Company recognized expense of $73 and $147, respectively, from equity method joint ventures.

13. NON-CONTROLLING INTERESTS AND EQUITY

Redeemable Non-controlling Interests

The Company's wholly owned subsidiary with a membership interest in the investment fund formed in the third quarter of 2015 has the right, beginning on the fifth anniversary of the final funding of the variable rate construction and term loans due 2023 and extending for six months, to elect to require the non-controlling interest holder to sell all of its membership units to the Company's wholly owned subsidiary, (the "Call Option"). The Company's investment fund, which was formed in the third quarter of 2015, also includes a right, beginning on the sixth anniversary of the final funding and extending for one year, for the non-controlling interest holder to elect to require the Company's wholly owned subsidiary to purchase all of its membership interests in the fund, (the "Put Option").

The Company's wholly owned subsidiary with a membership interest in the investment fund formed in the second quarter of 2017 has the right, beginning on the fifth anniversary of the final funding of the non-controlling interest holder and extending for six months, to elect to require the non-controlling interest holder to sell all of its membership units to the Company's wholly owned subsidiary, a call option. The Company's investment fund formed in the second quarter of 2017 also includes a right, beginning on the sixth anniversary of the final funding and extending for one year, for the non-controlling interest holder to elect to require the Company's wholly owned subsidiary to purchase all of its membership interests in the fund, a put option.

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The Company's wholly owned subsidiary with a membership interest in the investment fund formed in the second quarter of 2018 has the right, beginning on the fifth anniversary of the investment fund's final project being placed into service and extending for six months, to elect to require the non-controlling interest holder to sell all of its membership units to the Company's wholly owned subsidiary, a call option. The Company's investment fund formed in the second quarter of 2018 also includes a right, upon on the expiration of the call option and extending for six months, for the non-controlling interest holder to elect to require the Company's wholly owned subsidiary to purchase all of its membership interests in the fund, a put option.

The Company's wholly owned subsidiary with a membership interest in the investment fund formed in the fourth quarter of 2018 has the right, beginning on the fifth anniversary on the last projects placed in-service date and extending for six months, to elect to require the non-controlling interest holder to sell all of its membership units to the Company's wholly owned subsidiary, a call option. The Company's investment fund formed in the fourth quarter of 2018 also includes a right, upon the expiration of the call option and extending for six months, for the non-controlling interest partner to elect to require the Company's wholly owned subsidiary to purchase all of its membership interests in the fund, a put option.

The purchase price for two of the investment funds investors' interests under the call options is equal to the fair market value of such interest at the time the option is exercised. The purchase price for the other two investment funds investor's interests under the call options is equal to the greater of (i) the fair market value of such interests at the time the option is exercised or (ii) 7% of the investors' contributed capital balance at the time the option is exercisable. The call options are exercisable beginning on the date that specified conditions are met for each respective fund. None of the call options are expected to become exercisable prior to 2021.

The purchase price for two of the funds investors' interests in the investment funds under the put options is the lessor of fair market value at the time the option is exercised and a specified amount, ranging from $659 - $917. The purchase price for the other two of the fund investors' interest in the investment funds under the put options is the sum of (i) the fair market value at the time the option is exercised, and (ii) the closing costs incurred by the investor in connection with the exercise of the put option. The put options for the investment funds are exercisable beginning on the date that specified conditions are met for each respective fund. The put options are not expected to become exercisable prior to 2022.

Because the put options represents redemption features that are not solely within the control of the Company, the non-controlling interests in these funds are presented outside of permanent equity. Redeemable non-controlling interests are reported using the greater of their carrying value at each reporting date (which is impacted by attribution under the hypothetical liquidation at book value method) or their estimated redemption value in each reporting period. At both September 30, 2019 and December 31, 2018 redeemable non-controlling interests were reported at their carrying value totaling $32,108 and $14,719, respectively, as the carrying value at each reporting period was greater than the estimated redemption value.

14. EARNINGS PER SHARE AND OTHER EQUITY RELATED INFORMATION

Earnings Per Share

Basic earnings per share is calculated using the Company's weighted-average outstanding common shares, including vested restricted shares. When the effects are not anti-dilutive, diluted earnings per share is calculated using the weighted-average outstanding common shares; the dilutive effect of convertible preferred stock, under the "if converted" method; and the treasury stock method with regard to warrants and stock options; all as determined under the treasury stock method.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income attributable to common shareholders	$ 8,870	$ 10,701	$ 22,233	$ 26,391
Basic weighted-average shares outstanding	46,555	45,854	46,413	45,599
Effect of dilutive securities:				
Stock options	1,138	1,090	1,262	910
Diluted weighted-average shares outstanding	47,693	46,944	47,675	46,509

For the three months ended September 30, 2019 and 2018, the total number of shares of common stock related to stock options excluded from the calculation of dilutive shares, as the effect would be anti-dilutive, were 1,152 and 758, respectively. For the nine months ended September 30, 2019 and 2018, the total number of shares of common stock related to stock options excluded from the calculation of dilutive shares, as the effect would be anti-dilutive, were 642 and 1,273, respectively.

Stock-Based Compensation Expense

For the three months ended September 30, 2019 and 2018, the Company recorded stock-based compensation expense, including expense related to the Employee Stock Purchase Plan ("ESPP"), of $413 and $390, respectively, in connection with the stock-based payment awards. For the nine months ended September 30, 2019 and 2018, the Company recorded stock-based compensation expense, including expense related to the ESPP, of $1,195 and $1,137, respectively, in connection with the stock-based payment awards. The compensation expense is included in selling, general and administrative expenses in the accompanying condensed consolidated statements of income. As of September 30, 2019, there was $4,641 of unrecognized compensation expense related to non-vested stock option awards that is expected to be recognized over a weighted-average period of 3.0 years.

No awards to individuals who were not either an employee or director of the Company occurred during thenine months ended September 30, 2019 or during the year ended December 31, 2018.

Stock Option Grants

During the three months ended September 30, 2019, the Company granted 1,000 common stock options to certain employees and directors under its 2010 Stock Incentive Plan, which have a contractual life of ten years and vest based upon the achievement of specific performance goals over athree years period.

Share Repurchase Program

In April 2016, the Company's Board of Directors authorized the repurchase of up to $10,000 of the Company's Class A common stock from time to time on the open market in privately negotiated transactions. The Company's Board of Directors authorized an increase in the Company's share repurchase authorization to $15,000 of the Company's Class A common stock in February 2017 and to $17,553 of the Company's Class A common stock in August 2019, in each case, from time to time on the open market or in privately negotiated transactions. The timing and amount of any shares repurchased will be determined by the Company's management based on its evaluation of market conditions and other factors. Any repurchased shares will be available for use in connection with its stock plans and for other corporate purposes. The repurchase program has and will be funded using the Company's working capital and borrowings under its revolving line of credit. The Company accounts for share repurchases using the cost method. Under this method, the cost of the share repurchase is recorded entirely in treasury stock, a contra equity account. During the three and nine months ended September 30, 2019, the Company repurchased 10 shares of common stock in the amount of $139, net of immaterial fees. During the three months ended September 30, 2018, the Company did not repurchase any shares of common stock. During the nine months ended September 30, 2018, the Company purchased 212 shares of common stock in the amount of $1,772, net of fees of $9.

15. BUSINESS SEGMENT INFORMATION

The Company reports results under ASC 280, *Segment Reporting.* The Company's reportable segments are U.S. Regions, U.S. Federal, Canada and Non-Solar Distributed Generation ("DG"). The Company's U.S. Regions, U.S. Federal and Canada segments offer energy efficiency products and services, which include the design, engineering and installation of equipment and other measures to improve the efficiency and control the operation of a facility's energy infrastructure, renewable energy solutions and services, which include the construction of small-scale plants that the company owns or develops for customers that produce electricity, gas, heat or cooling from renewable sources of energy and O&M services. The Company's Non-Solar DG segment sells electricity, processed renewable gas fuel, heat or cooling, produced from renewable sources of energy, other than solar, and generated by small-scale plants that the Company owns and O&M services for customer owned small-scale plants. The "All Other" category offers enterprise energy management services, consulting services and the sale of solar-PV energy products and systems which we refer to as integrated-PV.

These segments do not include results of other activities, such as corporate operating expenses not specifically allocated to the segments. Certain reportable segments are an aggregation of operating segments. The reports of the Company's chief operating decision maker do not include assets at the operating segment level. The accounting policies are the same as those described in the summary of significant accounting policies in Note 2 included in the Company's annual report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission on March 8, 2019.

An analysis of the Company's business segment information and reconciliation to the condensed consolidated financial statements is as follows:

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except per share amounts)

	U.S. Regions	U.S. Federal	Canada	Non-Solar DG	All Other	Total Consolidated
Three Months Ended September 30, 2019						
Revenues	$ 84,079	$ 71,258	$ 12,665	$ 21,875	$ 22,149	$ 212,026
Interest income	69	92	—	21	—	182
Interest expense	1,548	209	179	1,213	—	3,149
Depreciation and amortization of intangible assets	2,538	901	396	5,149	429	9,413
Unallocated corporate activity	—	—	—	—	—	(8,482)
Income before taxes, excluding unallocated corporate activity	3,350	10,967	1,577	977	881	17,752
Three Months Ended September 30, 2018						
Revenues	$ 86,402	$ 62,378	$ 11,604	$ 22,138	$ 22,853	$ 205,375
Interest income	2	36	—	38	—	76
Interest expense	1,403	225	480	1,681	(13)	3,776
Depreciation and amortization of intangible assets	1,341	671	294	4,530	378	7,214
Unallocated corporate activity	—	—	—	—	—	(8,648)
Income before taxes, excluding unallocated corporate activity	5,256	10,969	664	3,851	1,959	22,699
Nine Months Ended September 30, 2019						
Revenues	$ 227,896	$ 169,337	$ 27,696	$ 66,370	$ 69,022	$ 560,321
Interest income	132	160	—	65	39	396
Interest expense	4,118	627	517	4,075	—	9,337
Depreciation and amortization of intangible assets	7,184	2,524	986	16,051	1,153	27,898
Unallocated corporate activity	—	—	—	—	—	(25,331)
Income before taxes, excluding unallocated corporate activity	5,530	26,631	1,529	5,758	7,592	47,040
Nine Months Ended September 30, 2018						
Revenues	$ 249,871	$ 168,377	$ 28,466	$ 60,176	$ 62,877	$ 569,767
Interest income	5	84	—	120	—	209
Interest expense	3,911	771	1,464	4,575	—	10,721
Depreciation and amortization of intangible assets	4,048	2,004	873	12,942	1,134	21,001
Unallocated corporate activity	—	—	—	—	—	(23,269)
Income (loss) before taxes, excluding unallocated corporate activity	14,606	26,864	(1,983)	8,796	3,771	52,054

AMERESCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)
(in thousands, except per share amounts)

16. DEBT

As of September 30, 2019, the Company's debt comprised the following:

	Commencement Date	Maturity Date	Acceleration Clause[2]	Rate as of September 30, 2019	September 30, 2019	December 31, 2018
Senior secured credit facility, interest at varying rates monthly in arrears	June 2015	June 2024	NA	3.84%	$ 81,410	$ 43,074
Variable rate term loan payable in semi-annual installments	January 2006	February 2021	Yes	4.34%	774	936
Variable rate term loan payable in semi-annual installments	January 2006	June 2024	Yes	4.09%	6,953	7,426
Term loan payable in quarterly installments	March 2011	March 2021	Yes	7.25%	993	1,464
Term loan payable in monthly installments	October 2011	June 2028	NA	6.11%	3,606	3,843
Variable rate term loan payable in quarterly installments	October 2012	June 2020	NA	5.59%	28,844	30,674
Variable rate term loan payable in quarterly installments	September 2015	March 2023	NA	4.59%	16,782	17,208
Term loan payable in quarterly installments	August 2016	July 2031	NA	4.95%	3,753	3,925
Term loan payable in quarterly installments	March 2017	March 2028	NA	5.00%	3,627	3,945
Term loan payable in monthly installments	April 2017	April 2027	NA	4.50%	23,211	22,081
Term loan payable in quarterly installments	April 2017	February 2034	NA	5.61%	2,661	2,735
Variable rate term loan payable in quarterly installments	June 2017	December 2027	NA	4.54%	12,330	12,915
Variable rate term loan payable in quarterly installments	February 2018	August 2022	Yes	9.59%	16,366	21,475
Term loan payable in quarterly installments	June 2018	December 2038	Yes	5.15%	29,463	30,069
Variable rate term loan payable in semi-annual installments	June 2018	June 2033	Yes	4.14%	9,337	9,668
Variable rate term loan payable in monthly/quarterly installments	October 2018	October 2029	Yes	4.60%	9,086	9,072
Long term finance liability in semi-annual installments	July 2019	July 2039	NA	0.28%	4,872	—
Financing leases[1]					31,106	33,363
					$ 285,174	$ 253,873
Less - current maturities					54,958	26,890
Less - deferred financing fees					6,450	7,821
Long term debt and financing lease liabilities					$ 223,766	$ 219,162

[1] Financing leases do not include approximately $23,510 in future interest payments

[2] These agreements have acceleration causes that, in the event of default, as defined, the payee has the option to accelerate payment terms and make due the remaining principal and the required interest balance according to the agreement

Senior Secured Credit Facility - Revolver and Term Loan

In June 2019, the Company amended and restated the Company's senior secured credit facility. The amendment increased the aggregate amount of the revolving commitments from $85,000 to $115,000 through an extended June 28, 2024 maturity date, increased the term loan from$40,000 to $65,000 to reduce the outstanding revolving loan balance by the same amount and extend the maturity date from June 30, 2020 to June 28, 2024, and increased the total funded debt to EBITDA covenant ratio from a maximum of 3.00 to 3.25. The total commitment under the amended credit facility (revolving credit, term loan and swing line) is $185,000.

At September 30, 2019 funds of $46,480 are available for borrowing under the revolving credit facility.

July 2019 Long Term Finance Liability

During the third quarter ended September 30, 2019, the Company closed on one solar PV project under the Company's master lease agreement, as discussed in Note 8, with a twenty-year term. In accordance with ASC 842, Leases, this transaction was accounted for as a failed sale as the Company retains control of the underlying assets. The proceeds received from the transaction were recorded by the Company as a long term financing facility with an interest rate of 0.28%, as a result of tax credits which were transferred to the counterparty. The principal and interest payments are due in semi annual installments and the long term finance facility matures on July 16, 2039, with all remaining unpaid amounts outstanding under the agreement due at that time. At September 30, 2019, $4,872 was outstanding under the long term finance liability.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and the related notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2018 included in our Annual Report on Form 10-K for the year ended December 31, 2018 filed on March 8, 2019 with the U.S. Securities and Exchange Commission ("SEC"). This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward looking statements include statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans, objectives of management, expected market growth and other characterizations of future events or circumstances. All statements, other than statements of historical fact, including statements that refer to our expectations as to the future growth of our business and associated expenses; our expectations as to revenue generation; the future availability of borrowings under our revolving credit facility; the expected future growth of the market for energy efficiency and renewable energy solutions; our backlog, awarded projects and recurring revenue and the timing of such matters; our expectations as to acquisition activity; the impact of any restructuring; the uses of future earnings; our intention to repurchase shares of our Class A common stock; the expected energy and cost savings of our projects; and the expected energy production capacity of our renewable energy plants; and other characterizations of future events or circumstances are forward-looking statements. These statements are often, but not exclusively, identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," "target," "project," "predict" or "continue," and similar expressions or variations. These forward-looking statements are based on current expectations and assumptions that are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially and adversely from future results expressed or implied by such forward-looking statements. Risks, uncertainties and factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled "Risk Factors," set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018. The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. Subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so and undertake no obligation to do so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

Overview

Ameresco is a leading provider of energy efficiency solutions for facilities throughout North America and Europe. We provide solutions that enable customers to reduce their energy consumption, lower their operating and maintenance costs and realize environmental benefits. Our comprehensive set of services includes upgrades to a facility's energy infrastructure and the construction and operation of small-scale renewable energy plants.

In addition to organic growth, strategic acquisitions of complementary businesses and assets have been an important part of our historical development. Since inception, we have completed numerous acquisitions, which have enabled us to broaden our service offerings and expand our geographical reach.

Effects of Seasonality

We are subject to seasonal fluctuations and construction cycles, particularly in climates that experience colder weather during the winter months, such as the northern United States and Canada, or at educational institutions, where large projects are typically carried out during summer months when their facilities are unoccupied. In addition, government customers, many of which have fiscal years that do not coincide with ours, typically follow annual procurement cycles and appropriate funds on a fiscal-year basis even though contract performance may take more than one year. Further, government contracting cycles can be affected by the timing of, and delays in, the legislative process related to government programs and incentives that help drive demand for energy efficiency and renewable energy projects. As a result, our revenues and operating income in the third and fourth quarter are typically higher, and our revenues and operating income in the first quarter are typically lower, than in other quarters of the year. As a result of such fluctuations, we may occasionally experience declines in revenues or earnings as compared to the immediately preceding quarter, and comparisons of our operating results on a period-to-period basis may not be meaningful.

Our annual and quarterly financial results are also subject to significant fluctuations as a result of other factors, many of which are outside our control. See "Our business is affected by seasonal trends and construction cycles, and these trends and cycles could have an adverse effect on our operating results.” in Item 1A, Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2018 (“Annual Report”).

Backlog and Awarded Projects

Total construction backlog represents projects that are active within our ESPC sales cycle. Our sales cycle begins with the initial contact with the customer and ends, when successful, with a signed contract, also referred to as fully-contracted backlog. Our sales cycle recently has been averaging 18 to 42 months. Awarded backlog is created when a potential customer awards a project to Ameresco following a request for proposal. Once a project is awarded but not yet contracted, we typically conduct a detailed energy audit to determine the scope of the project as well as identify the savings that may be expected to be generated from upgrading the customer’s energy infrastructure. At this point, we also determine the sub-contractor, what equipment will be used, and assist in arranging for third party financing, as applicable. Recently, awarded projects have been taking an average of 12 to 24 months to result in a signed contract and convert to fully-contracted backlog. It may take longer, however, depending upon the size and complexity of the project. Historically, approximately 90% of our awarded backlog projects have resulted in a signed contract. After the customer and Ameresco agree to the terms of the contract and the contract becomes executed, the project moves to fully-contracted backlog. The contracts reflected in our fully-contracted backlog typically have a construction period of 12 to 36 months and we typically expect to recognize revenue for such contracts over the same period. Fully-contracted backlog begins converting into revenues generated from backlog over time using cost based input methods once construction has commenced. See “We may not recognize all revenues from our backlog or receive all payments anticipated under awarded projects and customer contracts” and “In order to secure contracts for new projects, we typically face a long and variable selling cycle that requires significant resource commitments and requires a long lead time before we realize revenues” in Item 1A, Risk Factors in our Annual Report.

As of September 30, 2019, we had fully-contracted backlog of approximately $787.2 million in expected future revenues under signed customer contracts for the installation or construction of projects; and we also had been awarded projects for which we had not yet signed customer contracts with estimated total future revenues of an additional $1,434.9 million. As of September 30, 2018, we had fully-contracted backlog of approximately $819.4 million in expected future revenues under signed customer contracts for the installation or construction of projects; and we also had been awarded projects for which we had not yet signed customer contracts with estimated total future revenues of an additional $1,215.4 million.

We define our 12-month backlog as the estimated amount of revenues that we expect to recognize in the next twelve months from our fully-contracted backlog. As of September 30, 2019 and 2018, our 12-month backlog was $437.7 million and $395.9 million, respectively.

Assets in development, which represents the potential design/build project value of small-scale renewable energy plants that have been awarded or for which we have secured development rights, were $572.0 million and $319.8 million as of September 30, 2019 and 2018, respectively.

Critical Accounting Policies and Estimates

This discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expense and related disclosures. The most significant estimates with regard to these condensed consolidated financial statements relate to our estimates of total expected costs under the cost-based input method, as well as the estimated impact of uninstalled materials, under the revenue recognition requirements of contracts with our customers, allowance for doubtful accounts, inventory reserves, realization of project development costs, fair value of derivative financial instruments, leases, accounting for business acquisitions, stock-based awards, impairment of long-lived assets, goodwill, income taxes, self insurance reserves and potential liability in conjunction with certain commitments and contingencies. Actual results could differ from those estimates.

Such estimates and assumptions are based on historical experience and on various other factors that management believes to be reasonable under the circumstances. Estimates and assumptions are made on an ongoing basis, and accordingly, the actual results may differ from these estimates under different assumptions or conditions.

The following are certain critical accounting policies that, among others, affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements:

- *Revenue Recognition;*
- *Energy Assets;*
- *Leases;*
- *Goodwill and Intangible Assets;*
- *Derivative Financial Instruments; and*
- *Variable Interest Entities.*

Further details regarding our critical accounting policies and estimates can be found in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report. In addition, please refer to Note 2, "*Summary of Significant Accounting Policies*," of our Notes to the audited consolidated financial statements for the year ended December 31, 2018, and notes thereto, included in the Company's Annual Report. Except for accounting policies related to our adoption of ASU No. 2016-02, Leases (Topic 842), and accounting policies related to our equity method investments, the Company has determined that no additional material changes concerning our critical accounting policies have occurred since December 31, 2018.

Recent Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies,* of Notes to Condensed Consolidated Financial Statements for a discussion of recent accounting pronouncements.

Results of Operations

The following tables set forth certain financial data from the condensed consolidated statements of income expressed as a percentage of revenues for the periods presented (in thousands):

	Three Months Ended September 30,			
	2019		2018	
	Dollar Amount	% of Revenues	Dollar Amount	% of Revenues
Revenues	$ 212,026	100.0 %	$ 205,375	100.0 %
Cost of revenues	167,333	78.9 %	159,213	77.5 %
Gross profit	44,693	21.1 %	46,162	22.5 %
Selling, general and administrative expenses	31,231	14.7 %	28,866	14.1 %
Operating income	13,462	6.3 %	17,296	8.4 %
Other expenses, net	4,192	2.0 %	3,244	1.6 %
Income before provision from income taxes	9,270	4.4 %	14,052	6.8 %
Income tax provision	939	0.4 %	3,351	1.6 %
Net income	8,331	3.9 %	10,701	5.2 %
Net loss attributable to redeemable non-controlling interest	539	0.3 %	—	— %
Net income attributable to common shareholders	$ 8,870	4.2 %	$ 10,701	5.2 %

	Nine Months Ended September 30,			
	2019		2018	
	Dollar Amount	% of Revenues	Dollar Amount	% of Revenues
Revenues	$ 560,321	100.0 %	$ 569,767	100.0 %
Cost of revenues	439,857	78.5 %	445,356	78.2 %
Gross profit	120,464	21.5 %	124,411	21.8 %
Selling, general and administrative expenses	87,396	15.6 %	84,871	14.9 %
Operating income	33,068	5.9 %	39,540	6.9 %
Other expenses, net	11,359	2.0 %	10,754	1.9 %
Income before provision from income taxes	21,709	3.9 %	28,786	5.1 %
Income tax provision	2,000	0.4 %	1,879	0.3 %
Net income	19,709	3.5 %	26,907	4.7 %
Net loss (income) attributable to redeemable non-controlling interest	2,524	0.5 %	(516)	(0.1)%
Net income attributable to common shareholders	$ 22,233	4.0 %	$ 26,391	4.6 %

Revenues

The following tables set forth a comparison of our revenues for the periods presented (in thousands):

	Three Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Revenues	$ 212,026	$ 205,375	$ 6,651	3.2 %

	Nine Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Revenues	$ 560,321	$ 569,767	$ (9,446)	(1.7)%

Revenues increased $6.7 million, or 3.2%, to $212.0 million for the three months ended September 30, 2019 compared to the same period of 2018 primarily due to a $8.9 million increase in our U.S. Federal segment and a $1.1 million increase in our Canada segment, partially offset by a $2.3 million decrease in our U.S. Regions segment, a $0.7 million decrease in our All Other segment and a $0.3 million decrease in revenues from our Non-Solar DG segment.

Revenues decreased $9.4 million, or 1.7%, to $560.3 million for the nine months ended September 30, 2019 compared to the same period of 2018 primarily due to a $22.0 million decrease in revenues from our U.S. Regions segment and a $0.8 million decrease in our Canada segment, partially offset by a $6.2 million increase in our Non-Solar DG segment, a $1.0 million increase in our U.S. Federal segment and a $6.1 million increase in our All Other segment.

Cost of Revenues and Gross Profit

The following tables set forth a comparison of our cost of revenues and gross profit for the periods presented (in thousands):

	Three Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Cost of revenues	$ 167,333	$ 159,213	$ 8,120	5.1 %
Gross margin	21.1 %	22.5 %		

	Nine Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Cost of revenues	$ 439,857	$ 445,356	$ (5,499)	(1.2)%
Gross margin	21.5 %	21.8 %		

Cost of revenues increased $8.1 million, or 5.1%, to $167.3 million and gross margin percentage decreased to 21.1%, from 22.5%, for the three months ended September 30, 2019 compared to the same period of 2018. The increase in cost of revenues is primarily due to the increase in project revenues from our U.S. Federal segment. The decrease in gross margin is primarily due to a mix of lower margin projects in our U.S. Federal segment as well as higher depreciation expenses attributed to the growth of our energy assets in operation in our U.S. Regions and Non-Solar DG segments.

Cost of revenues decreased $5.5 million, or 1.2%, to $439.9 million and gross margin percentage decreased to 21.5%, from 21.8%, for the nine months ended September 30, 2019 compared to the same period of 2018, respectively. The decrease in cost of revenues is primarily due to a decrease in project revenues from our U.S. Regions segment. The decrease in gross margin is primarily due to higher depreciation expenses attributed to the growth of our energy assets in operation in our U.S. Regions and Non-Solar DG segments.

Selling, General and Administrative Expenses

The following tables set forth a comparison of our selling, general and administrative expenses for the periods presented (in thousands):

	Three Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Selling, general and administrative expenses	$ 31,231	$ 28,866	$ 2,365	8.2 %

	Nine Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Selling, general and administrative expenses	$ 87,396	$ 84,871	$ 2,525	3.0 %

Selling, general and administrative expenses increased $2.4 million, or 8.2%, to $31.2 million for the three months ended September 30, 2019, compared to the same period of 2018, primarily due to an increase in salaries and benefits of $0.9 million resulting from increased headcount, higher project development costs of $0.6 million and increased other charges of $0.9 million. For the nine months ended September 30, 2019, selling, general and administrative expenses increased $2.5 million, or 3.0%, to $87.4 million compared to the same period of 2018, primarily due to an increase in salaries and benefits of $2.8 million resulting from increased headcount, and increased other charges of $1.9 million partially offset by a gain of $2.2 million recognized on the deconsolidation of a variable interest entity.

Amortization expense of intangible assets related to customer relationships, non-compete agreements, technology and trade names is included in selling, general and administrative expenses in the condensed consolidated statements of income. For the three months ended September 30, 2019 and 2018, we recorded amortization expense related to these intangible assets of $0.2 million and $0.3 million, respectively. For the nine months ended September 30, 2019 and 2018, we recorded amortization expense related to these intangible assets of $0.6 million and $0.8 million, respectively.

Other Expenses, Net

Other expenses, net, includes gains and losses from derivatives and foreign currency transactions, interest income and expenses and amortization of deferred financing costs. Other expenses, net increased $0.9 million to $4.2 million for the three months ended September 30, 2019 compared to the same period of 2018, primarily due to higher interest expenses and unfavorable foreign exchange rate fluctuations realized. Other expenses, net increased $0.6 million to $11.4 million for the nine months ended September 30, 2019 compared to the same period of 2018, primarily due to higher interest expenses and increased amortization of deferred financing costs partially offset by increased interest income.

Income Before Taxes

Income before taxes decreased $4.8 million, or 34.0%, to $9.3 million for the three months ended September 30, 2019 compared to the same period of 2018, due to the reasons described above. Income before taxes decreased $7.1 million, or 24.6%, to $21.7 million for the nine months ended September 30, 2019 compared to the same period of 2018, due to the reasons described above.

Provision from Income Taxes

The provision for income taxes was $0.9 million for the three months ended September 30, 2019, compared to a provision of $3.4 million for the three months ended September 30, 2018. The estimated effective annualized tax rate impacted by period discrete items applied for the three months ended September 30, 2019 was 10.1% compared to 23.8% for the three months ended September 30, 2018. The decrease in the rate compared to the same period in the prior year was due primarily to the inclusion of additional Investment Tax Credits for 2019 on solar projects the Company plans to retain and place in service in 2019.

The provision for income taxes was $2.0 million for the nine months ended September 30, 2019, compared to a provision of $1.9 million for the nine months ended September 30, 2018. The estimated effective annualized tax rate impacted by period discrete items applied for the nine months ended September 30, 2019 was 9.2% compared to 6.5% for the nine months ended September 30, 2018. The increase in the rate compared to the same period in the prior year was due primarily to the inclusion in the prior year of a $5.9 million discrete tax benefit for the 2017 Section 179D deductions.

The principal reason for the difference between the statutory rate and the estimated annual effective rate for 2019 was the effects of investment tax credits to which the Company is entitled from solar plants which have been or will be placed in service in 2019. The principle reasons for the difference between the statutory rate and the estimated annual effective tax rate for 2018 were the effects of a $5.9 million benefit of the 2017 Section 179D deduction, which was extended in February 2018 and was included as a tax deduction in 2018, and the use of investment tax credits to which the Company is entitled from owned plants.

The investment tax credits and production tax credits to which the Company may be entitled fluctuate from year to year based on the cost of the renewable energy plants the Company places or expects to place in service and production levels at company owned facilities in that year.

Net Income and Earnings Per Share

Net income decreased $2.4 million, or 22.1%, to $8.3 million for the three months ended September 30, 2019 compared to $10.7 million for the same period of 2018. Net income decreased $7.2 million, or 26.8%, to $19.7 million for the nine months ended September 30, 2019 compared to $26.9 million for the same period of 2018.

Basic earnings per share for the three months ended September 30, 2019 was $0.19, a decrease of $0.04 per share compared to the same period of 2018. Diluted earnings per share for the three months ended September 30, 2019 and 2018 was $0.23 per share. Basic earnings per share for the nine months ended September 30, 2019 was $0.48, a decrease of $0.10 per share compared to the same period of 2018. Diluted earnings per share for the nine months ended September 30, 2019 was $0.47, a decrease of $0.10 per share, compared to the same period of 2018.

Business Segment Analysis

We report results under ASC 280, *Segment Reporting.* Our reportable segments for the three and nine months ended September 30, 2019 are U.S. Regions, U.S. Federal, Canada and Non-Solar Distributed Generation ("DG"). Our U.S. Regions, U.S. Federal and Canada segments offer energy efficiency products and services, which include: the design, engineering and installation of equipment and other measures to improve the efficiency and control the operation of a facility's energy infrastructure; renewable energy solutions and services, which include the construction of small-scale plants that we own or develop for customers that produce electricity, gas, heat or cooling from renewable sources of energy; and O&M services. Our Non-Solar DG segment sells electricity, processed renewable gas fuel, heat or cooling, produced from renewable sources of energy, other than solar, and generated by small-scale plants that we own; and O&M services for customer-owned small-scale plants. The "All Other" category offers enterprise energy management services, consulting services and integrated-PV. These segments do not include results of other activities, such as corporate operating expenses not specifically allocated to the segments.

U.S. Regions

	Three Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Revenues	$ 84,079	$ 86,402	$ (2,323)	(2.7)%
Income before taxes	$ 3,350	$ 5,256	$ (1,906)	(36.3)%

	Nine Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Revenues	$ 227,896	$ 249,871	$ (21,975)	(8.8)%
Income before taxes	$ 5,530	$ 14,606	$ (9,076)	(62.1)%

Revenues for our U.S. Regions segment decreased $2.3 million, or 2.7%, to $84.1 million for the three months ended September 30, 2019 compared to the same period of 2018. Revenues for our U.S. Regions segment decreased $22.0 million, or 8.8%, to $227.9 million for the nine months ended September 30, 2019 compared to the same period of 2018. The decrease in revenues for the three and nine months ended September 30, 2019 were primarily due to a decrease in project revenues attributable to timing of revenue recognized as a result of the phase of active projects versus the prior year partially offset by an increase in energy and incentive revenue from small-scale solar grid tie plants that the Company owns.

Income before taxes for our U.S. Regions segment decreased $1.9 million, or 36.3%, from $5.3 million to $3.4 million for the three months ended September 30, 2019 and 2018, respectively, primarily due to an increase in salaries and benefits and project development costs. Income before taxes for our U.S. Regions segment decreased $9.1 million, or 62.1%, from $14.6 million to $5.5 million for the nine months ended September 30, 2019 and 2018, respectively, primarily due to the decrease in revenues described above, higher depreciation expenses, and increased salaries and benefits expenses.

U.S. Federal

	Three Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Revenues	$ 71,258	$ 62,378	$ 8,880	14.2 %
Income before taxes	$ 10,967	$ 10,969	$ (2)	— %

	Nine Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Revenues	$ 169,337	$ 168,377	$ 960	0.6 %
Income before taxes	$ 26,631	$ 26,864	$ (233)	(0.9)%

Revenues for our U.S. Federal segment increased $8.9 million, or 14.2%, to $71.3 million for the three months ended September 30, 2019 compared to the same period of 2018. Revenues for our U.S. Federal segment increased $1.0 million, or 0.6%, to $169.3 million for the nine months ended September 30, 2019 compared to the same period of 2018. The increase in revenues for the three months ended September 30, 2019 was due primarily to an increase in project revenue attributable to timing of revenue recognized as a result of the phase of active projects versus the prior year.

Income before taxes for our U.S. Federal segment remained consistent at $11.0 million for three months ended September 30, 2019 compared to $11.0 million for the same period of 2018, even with the increase in revenues described above primarily due to higher direct costs resulting in lower gross margins. Income before taxes for our U.S. Federal segment decreased $0.2 million, or 0.9%, to $26.6 million for the nine months ended September 30, 2019 compared to the same periods of 2018, even with the increase in revenues described above primarily due to higher direct costs resulting in lower gross margins.

Canada

	Three Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Revenues	$ 12,665	$ 11,604	$ 1,061	9.1 %
Income before taxes	$ 1,577	$ 664	$ 913	137.5 %

	Nine Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Revenues	$ 27,696	$ 28,466	$ (770)	(2.7)%
Income (loss) before taxes	$ 1,529	$ (1,983)	$ 3,512	177.1 %

Revenues for our Canada segment increased to $12.7 million for the three months ended September 30, 2019 compared to $11.6 million the same period of 2018, primarily due to an increase in energy assets and other revenues. Revenues for our Canada segment decreased $0.8 million, or 2.7%, to $27.7 million for the nine months ended September 30, 2019 compared to the same period of 2018, primarily due to a decrease in project revenues related to the progression of certain active projects.

Income before taxes for our Canada segment increased $0.9 million for the three months ended September 30, 2019 to $1.6 million of income compared to a $0.7 million for the same period of 2018. The increase is due primarily to the increase in revenues described above and a decrease in salaries and benefits. Income before taxes for our Canada segment increased $3.5 million for the nine months ended September 30, 2019 to $1.5 million compared to a $2.0 million loss before taxes for the same period of 2018. The increase is primarily due to a decrease in salaries and benefits, project development costs, interest expense and favorable foreign currency exchange rate fluctuations versus the prior year.

Non-Solar DG

	Three Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Revenues	$ 21,875	$ 22,138	$ (263)	(1.2)%
Income before taxes	$ 977	$ 3,851	$ (2,874)	(74.6)%

	Nine Months Ended September 30,		Dollar	Percentage
	2019	2018	Change	Change
Revenues	$ 66,370	$ 60,176	$ 6,194	10.3 %
Income before taxes	$ 5,758	$ 8,796	$ (3,038)	(34.5)%

Revenues for our Non-Solar DG segment decreased $0.3 million, or 1.2%, to $21.9 million for the three months ended September 30, 2019 compared to the same period of 2018. The decrease in revenues for the three months ended September 30, 2019 was primarily due to a decrease in energy and incentive revenue partially offset by an increase in project revenues. Revenues for our Non-Solar DG segment increased $6.2 million, or 10.3%, to $66.4 million for the nine months ended September 30, 2019 compared to the same period of 2018. The increase in revenues for the nine months ended September 30, 2019 was primarily due to an increase in energy and incentive revenue.

Income before taxes for our Non-Solar DG segment decreased $2.9 million, or 74.6%, to $1.0 million for the three months ended September 30, 2019 compared to the same period of 2018 primarily due to higher direct costs resulting in lower gross margins. Income before taxes for our Non-Solar DG segment decreased $3.0 million, or 34.5%, to $5.8 million for the nine months ended September 30, 2019 compared to the same period of 2018 primarily due to higher depreciation expenses compared to the prior year attributed to the growth of our assets in operations.

All Other & Unallocated Corporate Activity

	Three Months Ended September 30, 2019	2018	Dollar Change	Percentage Change
Revenues	$ 22,149	$ 22,853	$ (704)	(3.1)%
Income before taxes	$ 881	$ 1,959	$ (1,078)	(55.0)%
Unallocated corporate activity	$ (8,482)	$ (8,648)	$ 166	1.9 %

	Nine Months Ended September 30, 2019	2018	Dollar Change	Percentage Change
Revenues	$ 69,022	$ 62,877	$ 6,145	9.8 %
Income before taxes	$ 7,592	$ 3,771	$ 3,821	101.3 %
Unallocated corporate activity	$ (25,331)	$ (23,269)	$ (2,062)	(8.9)%

Revenues for our All Other segment decreased $0.7 million, or 3.1%, to $22.1 million for the three months ended September 30, 2019 compared to the same period of 2018 primarily due to a decrease in project revenues attributable to timing of revenue recognized as a result of the phase of active projects versus the prior year. Revenues for our All Other segment increased $6.1 million, or 9.8%, to $69.0 million for the nine months ended September 30, 2019 compared to the same period of 2018 primarily due to an increase in project revenues and integrated-PV revenues attributed to sales to customers for oilfield microgrid applications.

Income before taxes for our All Other segment decreased $1.1 million, or 55.0%, to $0.9 million for the three months ended September 30, 2019 compared to the same period of 2018 due to an increase in salaries and benefits and project development costs. Income before taxes for our All Other segment increased $3.8 million, or 101.3%, to $7.6 million for the nine months ended September 30, 2019 compared to the same period of 2018 due to the increase in revenues described above, and a gain of $2.2 million recognized on the deconsolidation of a variable interest entity.

Unallocated corporate activity includes all corporate level selling, general and administrative expenses and other expenses not allocated to the segments. We do not allocate any indirect expenses to the segments.

Liquidity and Capital Resources

Sources of liquidity. Since inception, we have funded operations primarily through cash flow from operations, advances from Federal ESPC projects and various forms of debt. We believe that the cash and cash equivalents and availability under our revolving senior secured credit facility, combined with our access to credit markets, will be sufficient to fund our operations through the next twelve months and thereafter. See Note 2 of the audited consolidated financial statements for the year ended December 31, 2018, and notes thereto, included in the Company's Annual Report.

Proceeds from our Federal ESPC projects are generally received through agreements to sell the ESPC receivables related to certain ESPC contracts to third-party investors. We use the advances from the investors under these agreements to finance the projects. Until recourse to us ceases for the ESPC receivables transferred to the investor, upon final acceptance of the work by the government customer, we are the primary obligor for financing received. The transfers of receivables under these agreements do not qualify for sales accounting until final customer acceptance of the work, so the advances from the investors are not classified as operating cash flows. Cash draws that we receive under these ESPC agreements are recorded as financing cash inflows. The use of the cash received under these arrangements to pay project costs is classified as operating cash flows. Due to the manner in which the ESPC contracts with the third-party investors are structured, our reported operating cash flows are materially impacted by the fact that operating cash flows only reflect the ESPC contract expenditure outflows and do not reflect any inflows from the corresponding contract revenues. Upon acceptance of the project by the federal customer the ESPC receivable and corresponding ESPC liability are removed from our condensed consolidated balance sheet as a non-cash settlement.

Our service offering also includes the development, construction and operation of small-scale renewable energy plants. Small-scale renewable energy projects, or energy assets, can either be developed for the portfolio of assets that we own and operate or designed and built for customers. Expenditures related to projects that we own are recorded as cash outflows from investing activities. Expenditures related to projects that we build for customers are recorded as cash outflows from operating activities as cost of revenues.

The amount of interest capitalized relating to construction financing during the period of construction for the nine months ended September 30, 2019 and 2018 was $2.2 million and $2.4 million, respectively.

Cash flows from operating activities. Operating activities used $120.7 million of net cash during the nine months ended September 30, 2019. During that period, we had net income of $19.7 million, which is net of non-cash compensation, depreciation, amortization, accretion, contingent consideration, deferred income taxes, gain on deconsolidation of a VIE, net gain on derivatives, unrealized foreign exchange loss and other non-cash items totaling $29.1 million. Increases in accounts receivable including retainage, inventory, costs and estimated earnings in excess of billings, prepaid expenses and other current assets, project development costs, other assets, and decreases in accounts payable, accrued expenses and other current liabilities, billings in excess of cost and estimated earnings, and other liabilities used $61.7 million in cash. These were offset by an increase in income taxes payable which provided for $2.6 million in cash. Increases in Federal ESPC receivables used an additional $110.4 million. As described above, Federal ESPC operating cash flows only reflect the ESPC expenditure outflows and do not reflect any inflows from the corresponding contract revenues, which are recorded as cash inflows from financing activities due to the timing of the receipt of cash related to the assignment of the ESPC receivables to the third-party investors.

Operating activities used $32.0 million of net cash during the nine months ended September 30, 2018. During that period, we had net income of $26.9 million, which is net of non-cash compensation, depreciation, amortization, deferred income taxes, unrealized foreign exchange loss, net gain on derivatives and other non-cash items totaling $29.5 million. Increases in project development costs, other assets, and decreases in accounts payable, accrued expenses and other current liabilities, and income taxes payable used $26.9 million in cash. These were offset by decreases in accounts receivable including retainage, inventory, costs and estimated earnings in excess of billings, prepaid expenses and other current assets, and increases in billings in excess of cost and estimated earnings, and other liabilities, which provided for $50.4 million. Increases in Federal ESPC receivables used an additional $112.0 million.

Cash flows from investing activities. Cash flows from investing activities during the nine months ended September 30, 2019 used $79.9 million. We invested $72.1 million on purchases of energy assets during the nine months ended September 30, 2019. In addition, we invested $6.2 million in purchases of other property and equipment, $1.3 million related to acquisition of a business and made contributions of $0.3 million in an equity investment. We currently plan to invest approximately $40.0 million to $50.0 million in additional capital expenditures in 2019, principally for the construction or acquisition of new renewable energy plants.

Cash flows from investing activities during the nine months ended September 30, 2018 used $109.7 million. We invested $103.2 million on purchases of energy assets during the nine months ended September 30, 2018. In addition, we invested $3.0 million in purchases of other property and equipment and invested $3.6 million in the acquisition of a business.

Cash flows from financing activities. Cash flows from financing activities during the nine months ended September 30, 2019 provided $172.9 million. This was primarily due to proceeds received from Federal ESPC projects and energy assets of $117.2 million, proceeds from exercises of stock options and ESPP of $5.3 million, net proceeds from our senior secured credit facility of $41.3 million, proceeds from project financings of $7.6 million and net contributions from redeemable non-controlling interests of $20.2 million. This was partially offset by payments on long-term debt of $18.0 million, payments of financing fees of $0.5 million and repurchase of common stock of $0.1 million, including fees.

Cash flows from financing activities during the nine months ended September 30, 2018 provided $178.8 million. This was primarily due to proceeds received from Federal ESPC projects and energy assets of $115.8 million, proceeds from project financings of $78.9 million, proceeds from sales leaseback financing of $5.1 million, net proceeds from redeemable non-controlling interests of $3.7 million, and proceeds from exercises of stock options and ESPP of $4.3 million. This was partially offset by payments on long-term debt of $22.8 million, repurchase of common stock of $1.8 million, including fees, net draws on our senior credit facility of $0.9 million, and payments of financing fees of $3.7 million.

We currently plan additional project financings of approximately $20.0 million to $30.0 million for the remainder of 2019 to fund the construction or acquisition of new renewable energy plants discussed above.

See Note 16, *Debt*, of Notes to Condensed Consolidated Financial Statements for additional discussion of items impacting the Company’s liquidity.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheet.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of September 30, 2019, there have been no significant changes in market risk exposures that materially affected the quantitative and qualitative disclosures as described in Item 7A to our Annual Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this quarterly report, or the evaluation date. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management, after evaluating the effectiveness of our disclosure controls and procedures as of the evaluation date, concluded that as of the evaluation date, our disclosure controls and procedures were effective at a reasonable level of assurance.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary conduct of our business we are subject to periodic lawsuits, investigations and claims. Although we cannot predict with certainty the ultimate resolution of such lawsuits, investigations and claims against us, we do not believe that any currently pending or threatened legal proceedings to which we are a party will have a material adverse effect on our business, results of operations or financial condition.

For additional information about certain proceedings, please refer to Note 9, *Commitments and Contingencies,* to our Condensed Consolidated Financial Statements included included under Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated into this item by reference.

Item 1A. Risk Factors

As of September 30, 2019, there have been no material changes to the risk factors described in Item 1A to our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2. Unregistered Sales of Equity and Use of Proceeds

Stock Repurchase Program

The following table provides information as of and for the quarter ended September 30, 2019 regarding shares of our Class A common stock that were repurchased under our stock repurchase program authorized by the Board of Directors on April 27, 2016 (the "Repurchase Program"):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2019 - July 31, 2019	—	—	—	$ 6,047,027
August 1, 2019 - August 31, 2019	—	—	—	$ 6,047,027
September 1, 2019 - September 30, 2019	10,000	13.93	10,000	$ 5,907,722
Total	10,000	$ 13.93	10,000	$ 5,907,722

Under the Repurchase Program, we are authorized to repurchase up to $17.6 million of our Class A common stock. Stock repurchases may be made from time to time through the open market and privately negotiated transactions. The amount and timing of any share repurchases will depend upon a variety of factors, including the trading price of our Class A common stock, liquidity, securities laws restrictions, other regulatory restrictions, potential alternative uses of capital, and market and economic conditions. The Repurchase Program may be suspended or terminated at any time without prior notice, and has no expiration date.

Item 6. Exhibits

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed (other than exhibit 32.1) as part of this Quarterly Report on Form 10-Q and such Exhibit Index is incorporated herein by reference.

Exhibit Index

Exhibit Number	Description
31.1*	Principal Executive Officer Certification required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Principal Financial Officer Certification required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following condensed consolidated financial statements from Ameresco, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statement of Changes in Redeemable Non-Controlling Interests and Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.

*Filed herewith.

+ Identifies a management contract or compensatory plan or arrangement in which an executive officer or director of Ameresco participates.

**Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	AMERESCO, INC.	
Date: November 5, 2019	By:	/s/ Spencer Doran Hole
		Spencer Doran Hole
		Senior Vice President and Chief Financial Officer
		(duly authorized and principal financial officer)

Exhibit 31.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, George P. Sakellaris, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ameresco, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: November 5, 2019

/s/ George P. Sakellaris

George P. Sakellaris
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

PRINCIPAL FINANCIAL OFFICER CERTIFICATION

I, Spencer Doran Hole, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ameresco, Inc. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 5, 2019

/s/ Spencer Doran Hole

Spencer Doran Hole

Senior Vice President and Chief Financial Officer
(duly authorized and principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Ameresco, Inc. (the “Company”) to which this certification is attached and as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company hereby certifies, pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2019

/s/ George P. Sakellaris

George P. Sakellaris
President and Chief Executive Officer
(principal executive officer)

Date: November 5, 2019

/s/ Spencer Doran Hole

Spencer Doran Hole
Senior Vice President and Chief Financial Officer
(duly authorized and principal financial officer)