

American Council for an Energy-Efficient Economy

Financial Report
December 31, 2019

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Independent Auditor's Report

RSM US LLP

Board of Directors
American Council for an Energy-Efficient Economy

Report on the Financial Statements

We have audited the accompanying financial statements of American Council for an Energy-Efficient Economy (ACEEE), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Council for an Energy-Efficient Economy as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 10 to the financial statements, in 2019, ACEEE adopted new accounting guidance regarding contributions received in Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and applied this standard using the retrospective method. Our opinion is not modified with respect to this matter.

RSM US LLP

Washington, D.C.
November 13, 2020

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American Council for an Energy-Efficient Economy

**Statement of Financial Position
December 31, 2019**

Assets

Cash and cash equivalents	\$ 330,944
Investments	9,896,995
Accounts receivable, net	67,103
Promises to give	1,014,484
Prepaid expenses	132,973
Security deposit	37,754
Equipment and leasehold improvements, net	<u>271,715</u>
Total assets	<u><u>\$ 11,751,968</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 638,991
Funds held on behalf of NASEM Collaborative	26,022
Deferred revenue	269,927
Deferred rent	<u>126,689</u>
Total liabilities	<u>1,061,629</u>

Commitments and contingencies (Note 8)

Net assets:

Without donor restrictions:

Undesignated	4,795,831
Board-designated	<u>100,000</u>
Total net assets without donor restrictions	4,895,831

With donor restrictions

Total net assets	<u>5,794,508</u>
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Total liabilities and net assets

\$ 11,751,968

See notes to financial statements.

American Council for an Energy-Efficient Economy

**Statement of Activities
Year Ended December 31, 2019**

Activities without donor restrictions:	
Revenue and support:	
Conference	\$ 1,451,146
Ally program	517,405
Interest and dividends	210,879
Contributions	52,175
Other income	11,454
Net assets released from restrictions	6,331,189
Total revenue and support	<u>8,574,248</u>
Expenses:	
Program services:	
Research programs	6,118,701
Conference	1,387,090
Lobbying	28,126
Total program services	<u>7,533,917</u>
Supporting services:	
General and administrative	1,497,399
Development	385,402
Total supporting services	<u>1,882,801</u>
Total expenses	<u>9,416,718</u>
Change in net assets without donor restrictions before nonoperating activity	(842,470)
Non-operating activity:	
Net realized and unrealized gain on investments	1,025,053
Change in net assets without donor restrictions	<u>182,583</u>
Activities with donor restrictions:	
Foundation grants	5,124,307
Research contributions and projects	1,298,553
Contributions	89,912
Ally program	72,429
Net assets released from restrictions	(6,331,189)
Change in net assets with donor restrictions	<u>254,012</u>
Change in net assets	436,595
Net assets:	
Beginning, before adoption of ASU 2018-08	10,015,515
Impact of adoption of ASU 2018-08 (Note 10)	238,229
Beginning, as adjusted	<u>10,253,744</u>
Ending	<u>\$ 10,690,339</u>

See notes to financial statements.

American Council for an Energy-Efficient Economy

**Statement of Functional Expenses
Year Ended December 31, 2019**

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Research Programs	Conference	Lobbying		General and Administrative	Development		
Salaries	\$ 3,278,162	\$ 361,756	\$ 13,104	\$ 3,653,022	\$ 797,836	\$ 184,664	\$ 982,500	\$ 4,635,522
Fringe benefits	1,319,237	149,268	5,262	1,473,767	315,183	77,331	392,514	1,866,281
Total personnel expense	4,597,399	511,024	18,366	5,126,789	1,113,019	261,995	1,375,014	6,501,803
Consultants	625,902	109,530	7,120	742,552	60,348	55,208	115,556	858,108
Conferences and meetings	61,927	596,531	2	658,460	19,811	7,878	27,689	686,149
Rent	425,976	47,991	1,740	475,707	97,299	25,010	122,309	598,016
Travel	170,462	62,872	116	233,450	11,418	21,470	32,888	266,338
Depreciation and amortization	93,776	10,494	371	104,641	21,263	5,368	26,631	131,272
Telephone	74,907	8,063	290	83,260	-	4,915	4,915	88,175
Printing	24,939	7,288	3	32,230	38,311	464	38,775	71,005
Supplies	30,357	18,317	118	48,792	-	2,265	2,265	51,057
Temporary help	-	-	-	-	25,146	-	25,146	25,146
Accounting fees	-	-	-	-	23,175	-	23,175	23,175
Dues and subscriptions	10,660	640	-	11,300	10,438	63	10,501	21,801
Insurance	-	-	-	-	21,297	-	21,297	21,297
Staff development	592	-	-	592	19,110	-	19,110	19,702
Bank charges	67	6,806	-	6,873	8,884	752	9,636	16,509
Legal fees	888	-	-	888	12,860	-	12,860	13,748
Meals and entertainment	-	-	-	-	12,778	-	12,778	12,778
Postage and shipping	849	7,534	-	8,383	566	14	580	8,963
Taxes	-	-	-	-	1,174	-	1,174	1,174
Miscellaneous	-	-	-	-	502	-	502	502
Total expenses	\$ 6,118,701	\$ 1,387,090	\$ 28,126	\$ 7,533,917	\$ 1,497,399	\$ 385,402	\$ 1,882,801	\$ 9,416,718

See notes to financial statements.

American Council for an Energy-Efficient Economy

Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ 436,595
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	131,272
Net realized and unrealized gain on investments	(1,025,053)
Deferred rent	(60,089)
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	34,181
Promises to give	534,399
Prepaid expenses	(62,109)
Increase (decrease) in:	
Accounts payable and accrued expenses	300,217
Funds held for third parties	26,022
Deferred revenue	259,177
Net cash provided by operating activities	<u>574,612</u>
Cash flows from investing activities:	
Purchases of property and equipment	(152,528)
Purchases of investments	(3,734,540)
Proceeds from sales of investments	2,722,664
Net cash used in investing activities	<u>(1,164,404)</u>
Net decrease in cash and cash equivalents	(589,792)
Cash and cash equivalents:	
Beginning	<u>920,736</u>
Ending	<u>\$ 330,944</u>

See notes to financial statements.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The American Council for an Energy-Efficient Economy (ACEEE) is a not-for-profit organization incorporated under the laws of California during February 1980. The objectives of ACEEE are to gather, evaluate and disseminate information to stimulate greater efficiency of energy use. ACEEE focuses on program areas including energy policy, research and outreach. It offers conferences, publications and other forums for professionals and other organizations within the field.

ACEEE carries out its mission by conducting technical and policy analyses; advising policy makers and program managers; working with businesses, government officials, public interest groups and other organizations; assisting traditional and new media to cover energy efficiency policy and technical issues; and educating consumers and businesses through ACEEE's conferences, press activities and websites.

Program services: Program service descriptions are as follows:

Research programs: ACEEE's research programs seek to improve energy efficiency through lowering energy costs, improving economic productivity and decreasing environmental pollution.

Conference: ACEEE's conferences disseminate information to stimulate the efficiency of energy use in the economy.

Lobbying: ACEEE lobbies Congress on behalf of appliance energy efficiency standards, federal appropriations for energy efficiency research and development, and new federal programs to promote energy efficiency.

A summary of ACEEE's significant accounting policies follows:

Basis of accounting: The accompanying financial statements have been prepared using the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

Basis of presentation: The financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the ASC, ACEEE is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions: Net assets without donor restriction include those net assets whose use is not restricted by donors or other limitations. ACEEE's Board of Directors has designated \$100,000 for the Halfway There Fund for certain future projects.

Net assets with donor restrictions: Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. ACEEE reports contributions as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income tax: ACEEE is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation by the Internal Revenue Code. ACEEE may be subject to tax on unrelated business income activities.

ACEEE follows the provisions of the FASB ASC, Accounting for Income Taxes. This topic requires ACEEE to recognize or disclose any tax positions that would result in unrecognized tax benefits. ACEEE has no positions that would require disclosure or recognition under the topic.

Cash and cash equivalents: For financial statement purposes, ACEEE considers currency on hand, demand deposits and highly liquid investments purchased from financial institutions with an original maturity of three months or less to be cash and cash equivalents, except cash accounts held in the investment portfolio, which are included as a component of investments.

Investments: Investments consist of mutual and exchange-traded funds (equity, fixed income, and blended) and money market funds. These investments are reported at fair market value based upon quoted market prices at the date of the financial statements.

Financial risk: ACEEE maintains demand deposits with various financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured positions of these accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to ACEEE. ACEEE has not experienced any such losses in the past and does not believe it is exposed to any significant financial risk on these balances

ACEEE's investments are exposed to various risks, such as fluctuations in market value. As a result, investment balances reported in the accompanying financial statements may not be reflective of the portfolio's fair value during subsequent periods.

Accounts receivable and promises to give: Receivables are stated at net realizable value and are expected to be collected within the next year. Management periodically reviews the collectability of all receivables based on management's knowledge of and relationship with the vendors, grantors and donors, age of the receivable balance, and existing economic conditions. As a result of these reviews, it is ACEEE's policy to write off uncollectible receivable balances when management determines that the receivable will not be collected. As of December 31, 2019, management believes that all receivables are fully collectible; therefore, no allowance for doubtful accounts was recorded.

Prepaid expenses: Prepaid expenses consist of costs which have been paid in advance of the period in which ACEEE expects to incur the obligation.

Property and equipment: Property and equipment acquisitions with a cost greater than \$1,000 and a projected useful life exceeding one year are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining life of the lease or the useful life of the asset.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Valuation of long-lived assets: ACEEE reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. As of December 31, 2019, management has determined that there has been no impairment in the carrying value of long-lived assets.

Deferred rent: ACEEE recognizes the minimum rents required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as deferred rent in the statement of financial position along with unamortized landlord provided tenant improvement allowance (see Note 8).

Revenue recognition: Revenue is recognized in the period in which it is earned. Conference registrations and sponsorships are recognized as revenue once the event takes place. Contract revenue is recognized on a cost-reimbursement basis to the extent that allowable direct and indirect costs are incurred. Contributions are recognized when unconditionally promised, as described below.

Contributions: ACEEE's contributions include donations from individuals, Ally membership, research contributions and grants from foundations and government agencies. Unconditional contributions are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions, including unconditional promises to give cash or other assets, are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by ACEEE.

Conditional promises to give are recognized only when the conditions on which they depend are met and the promises become unconditional. Assets received in connection with conditional contributions are reported as refundable advances until such time the conditions are met. ACEEE has conditional promises to give from various funders of approximately \$60,000 as of December 31, 2019. Future payments are contingent upon ACEEE carrying out certain activities (meeting donor imposed barriers) stipulated by the grant or contract.

Sources of revenue: During the year ended December 31, 2019, ACEEE derived approximately 38% of its total support and revenue from two significant donors. If ACEEE were to experience a reduction in funding from these donors, ACEEE's operations could be significantly affected.

Functional allocation of expenses: Costs of ACEEE's various programs and activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Information technology, supplies and telecommunications expenses have been allocated on the basis of employee effort. Salaries and fringe benefits, occupancy, depreciation and amortization, and all other expenses are directly charged to the applicable functional areas.

Non-operating activities: ACEEE considers interest and dividend income to be operating in nature. All other investment returns are considering to be non-operating activities.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Recently issued accounting pronouncements (adopted): During 2019, ACEEE adopted the guidance regarding contributions received from Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions of this standard include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. Based on ACEEE's review of its research contributions, grants and Ally program, the timing and amount of contributions recognized previously was not entirely consistent with the timing and amount of contributions recognized under this new standard. Therefore, as described in Note 10, the adoption of this standard on a retrospective method had an impact on ACEEE's beginning net assets at January 1, 2019.

ACEEE will adopt the guidance regarding contributions made from ASU 2018-08 during the year ending December 31, 2020. ACEEE is currently evaluating the impact of the pending adoption of this guidance on the financial statements, and does not believe it will have a material effect.

Pending accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or modified retrospective with cumulative effect transition method. This standard will also require expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 on year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, permitting the deferral of implementation for an additional year, making ASU 2014-09, as amended, effective for ACEEE for the annual reporting period beginning after December 15, 2019. ACEEE is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the statement of activities. During November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effect date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, further delaying the effective date an additional year, making ASU 2016-02 effective for ACEEE for the annual reporting period beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ACEEE is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 2. Liquidity and Availability of Financial Assets

ACEEE regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, ACEEE considers all expenditures related to its ongoing research and educational activities as well as the conduct of services undertaken to support those activities to be general expenditures.

ACEEE operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. ACEEE's governing board has designated a portion of its unrestricted resources for research and other purposes (board-designated net assets). These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

The table below summarizes ACEEE's financial assets as of December 31, 2019:

Cash and cash equivalents	\$ 330,944
Investments	9,896,995
Accounts receivable	67,103
Contributions and projects promises to give	1,014,484
Total financial assets at year-end	<u>11,309,526</u>
Less:	
Cash collateral held for lease security deposit	(53,392)
Funds held on behalf of NASEM Collaborative	(26,022)
Board-designated assets for use in future periods	(100,000)
Net assets restricted by donors	<u>(5,794,508)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,335,604</u>

Note 3. Fair Value Measurements and Investments

The Fair Value Measurement Topic of the ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quote prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this topic as assumptions market participants would use in pricing an asset or liability. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. As required by the Fair Value Measurement Topic, ACEEE does not adjust the quoted prices for these investments even in situations where ACEEE holds a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement. There were no Level 2 inputs for any assets or liabilities held by ACEEE at December 31, 2019.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 3. Fair Value Measurements and Investments (Continued)

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the in the circumstances and may require significant management judgement or estimation. Investments that are included in this category are investments where fair value is not based on a NAV practical expedient. There were no Level 3 inputs for any assets or liabilities held by ACEEE at December 31, 2019.

Investments recorded at fair value include mutual funds, consisting of equity, fixed income and blended funds, and money market funds. Management believes the estimated fair values to be a reasonable approximation of the exit price for these investments.

Cash included in the investment portfolio is recorded at cost and is not required to be classified in one of the levels prescribed by the fair value hierarchy.

Investments consist of the following at December 31, 2019:

	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Mutual funds – equity funds	\$ 3,397,282	\$ 3,397,282	\$ -	\$ -
Mutual funds – bond funds	3,383,444	3,383,444	-	-
Money market fund	2,483,876	2,483,876	-	-
Mutual funds – blended fund	509,699	509,699	-	-
Investments, at fair value	9,774,301	\$ 9,774,301	\$ -	\$ -
Cash	122,694			
	<u>\$ 9,896,995</u>			

Note 4. Promises to Give

Promises to give consist of the following at December 31, 2019:

Foundation grants	\$ 727,000
Research contributions and projects	252,343
Ally program and other contributions	35,141
	<u>\$ 1,014,484</u>

All promises to give are expected to be collected during the year ending December 31, 2020.

Note 5. Equipment and Leasehold Improvements

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

Furniture and equipment	\$ 250,045
Software	323,333
Leasehold improvements	324,230
	<u>897,608</u>
Less accumulated depreciation and amortization	(625,893)
	<u>\$ 271,715</u>

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 5. Equipment and Leasehold Improvements (Continued)

Depreciation and amortization expense for the year ended December 31, 2019, was \$131,272. ACEEE disposed of fully-depreciated fixed assets with an original cost of \$27,236 during the year ended December 31, 2019.

Note 6. Retirement Plan

A qualified 403(b) retirement plan (the Plan) has been established for which all eligible employees are eligible to participate and make salary deferral contributions up to the federal limits annually. Under the Plan, ACEEE makes a 2% contribution and will match up to 3% of eligible employee compensation. Total employer contributions to the Plan totaled \$256,642 for the year ended December 31, 2019.

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted as follows as of December 31, 2019:

Restricted by purpose:

Research programs:

Policy	\$ 3,262,602
Transportation	519,478
Promoting energy efficiency	337,280
Buildings	314,568
Utilities	277,887
Health and environment	262,784
Industrial	239,499
General research	155,514
Behavior	121,897

5,491,509

Conferences

158,948

Linda Latham Scholarship Fund

71,622

Total restricted by purpose

5,722,079

Restricted by time:

Ally program

72,429

\$ 5,794,508

During the year ended December 31, 2019, net assets of \$6,331,189 were released from restrictions either as expenses were incurred which satisfied the restricted purposes of the net assets or by the occurrence of other events, as specified by the donors.

Note 8. Commitments and Contingencies

Operating lease: In March 2008, ACEEE entered into an operating lease agreement for office space which was originally scheduled to expire in July 2018 with an option to renew for an additional five years. The lease was amended effective May 2014 to expand the original office space and extend the expiration to July 31, 2021, with an option to renew for an additional five years, and was further amended effective July 2016, with an additional office space expansion. The original agreement and each amendment contain tenant allowances for improvements, escalation clauses and charges for other costs related to the leased office space.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 8. Commitments and Contingencies (Continued)

In accordance with the July 2016 amendment, ACEEE has an irrevocable letter of credit in the amount of \$53,392 as a security deposit, secured by a cash collateral account. The cash collateral account is included in investments in the accompanying statement of financial position.

In August 2020, the lease was amended to extend the expiration to July 31, 2032, with an option to renew for an additional five years, and with an option to terminate five years early. The amendment also contains tenant allowances for improvements of \$973,725, escalation clauses, charges for other costs related to the leased office space, and other stipulations. In accordance with the amendment, ACEEE also increased the irrevocable letter of credit to \$55,178 as a security deposit, secured by a cash collateral account.

In accordance with GAAP, operating lease expenses should be recorded based on the straight-line method over the life of the lease, with the accumulated difference between rent paid and straight-line expense recorded as deferred rent expense in the statement of financial position. Also included in deferred rent expense is the unamortized portion of tenant improvement allowances, which are being amortized using the straight-line method over the shorter of the remaining life of the lease or the useful life of the asset. Total deferred rent was \$126,689 at December 31, 2019.

Future minimum lease payments, subject to annual operating expense increases, under the terms of the office lease are as follows:

Years ending December 31:	
2020	\$ 385,356
2021	286,447
2022	689,499
2023	706,677
2024	724,322
Thereafter	6,112,967
	<u>\$ 8,905,268</u>

Rent expense for the year ended December 31, 2019, totaled \$598,016.

Note 9. Related Party Transactions

ACEEE, in conjunction with two other organizations, hosts the Behavior, Energy & Climate Change conference (BECC) every year. A member of the Board of Directors is an employee of one of the partner organizations. The three organizations share equally in the financial risk of BECC. All surpluses and losses are tracked in a restricted net asset fund by ACEEE, and is included in net assets with donor restrictions in the statement of financial position.

Additionally, ACEEE is administering funds for the NASEM Collaborative, a group of organizations (including ACEEE) considering formation of a legal entity. ACEEE is acting in an agency capacity, collecting and disbursing funds on behalf of the collaborative as a whole. ACEEE does not have variance power over the funds, which are reported as a liability in the statement of financial position.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 10. Adoption of New Accounting Standard

As required by GAAP, effective in 2019, ACEEE evaluated its revenue and support in accordance with the new accounting standard described in Note 1. In particular, ACEEE adopted the guidance regarding contributions received in ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard was applied using the retrospective approach. As a result, ACEEE determined that certain contributions which had been previously accounted for as reciprocal transactions should be categorized as non-reciprocal transactions.

In relation to the 2019 financial statements, ACEEE has restated beginning net assets as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets at January 1, 2019	\$ 4,713,248	\$ 5,302,267	\$ 10,015,515
Impact of adoption of ASU 2018-08	-	238,229	238,229
Net assets at January 1, 2019, as restated	\$ 4,713,248	\$ 5,540,496	\$ 10,253,744

The following table presents the effect of the adoption of ASU 2018-08 on the statement of financial position as of December 31, 2019:

	Balance Without Adoption of ASU 2018-08	Impact of ASU 2018-08	As Reported
Liabilities:			
Deferred revenue	\$ 729,169	\$ (459,242)	\$ 269,927
Net assets:			
Without donor restrictions	\$ 4,895,831	\$ -	\$ 4,895,831
With donor restrictions	5,335,266	459,242	5,794,508
	\$ 10,231,097	\$ 459,242	\$ 10,690,339

The following table presents the effect of the adoption of ASU 2018-08 on the statement of activities for the year ended December 31, 2019:

	Balance Without Adoption of ASU 2018-08	Impact of ASU 2018-08	As Reported
Revenue and support:			
Without donor restrictions:			
Research contributions and projects	\$ 1,149,969	\$ (1,149,969)	\$ -
Ally program	517,405	-	517,405
With donor restrictions:			
Research contributions and projects	-	1,298,553	1,298,553
Ally program	-	72,429	72,429
	\$ 1,667,374	\$ 221,013	\$ 1,888,387

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 11. Subsequent Events

Subsequent events have been evaluated through November 13, 2020, which is the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which ACEEE operates. It is unknown how long these conditions will last and what the complete financial affect will be to ACEEE, to date, and it is reasonably possible that ACEEE is vulnerable to the risk of a near-term severe impact.

As part of its response to the pandemic, in April 2020, ACEEE applied for and received a loan of \$984,002 as part of the Federal Paycheck Protection Program. ACEEE believes that most, if not all, of the loan will meet the requirements for debt forgiveness. Additionally, to date, ACEEE has either postponed its 2020 in-person conferences or changed them to virtual format. It is also reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near-term as a result of these conditions, including losses on investments.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
American Council for an Energy-Efficient Economy

We have audited the financial statements of American Council for an Energy-Efficient Economy (ACEEE) as of and for the year ended December 31, 2019, and our report thereon dated November 13, 2020, which contained an unmodified opinion on those financial statements. See page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Washington, D.C.
November 13, 2020

American Council for an Energy-Efficient Economy

Schedule of Fringe Benefits Expenses

Year Ended December 31, 2019

Holiday, sick and vacation	\$ 810,833
Payroll taxes	407,486
Health, life and disability insurance, and metro allowance	387,075
Retirement	256,642
Other benefits	<u>4,245</u>
Total fringe benefits	<u><u>\$ 1,866,281</u></u>

American Council for an Energy-Efficient Economy

**Schedule of Indirect Costs
Year Ended December 31, 2019**

Salaries	\$ 636,088
Fringe benefits	247,916
Occupancy	75,951
Consultants	61,198
Printing and publications	35,871
Accounting fees	23,175
Insurance	21,298
Conferences and meetings	18,864
Depreciation	16,548
Staff development	16,187
Meals and entertainment	12,778
Legal fees	12,600
Travel expenses	11,128
Dues and subscriptions	10,439
Finance charges	8,883
Taxes	1,174
Postage and delivery	565
Other expenses	501
Total indirect costs	<u>1,211,164</u>
Less unallowable costs:	
Amounts subsidized by ACEEE	(51,560)
Meals and entertainment	(11,128)
Total unallowable costs	<u>(62,688)</u>
Total allowable indirect costs	<u><u>\$ 1,148,476</u></u>

American Council for an Energy-Efficient Economy

**Schedule of Determination of Indirect Cost Rates
Year Ended December 31, 2019**

Fringe benefits rate:	
Numerator	
Total fringe benefits	\$ 1,866,281
Denominator:	
Total salaries	\$ 4,635,522
Fringe benefits rate	40.26%
Depreciation and amortization rate:	
Numerator	
Total depreciation and amortization	\$ 131,272
Denominator:	
Total salaries	\$ 4,635,522
Total fringe benefits	1,866,281
Total	\$ 6,501,803
Depreciation and amortization rate	2.02%
Rent rate:	
Numerator:	
Total Rent	\$ 598,016
Denominator:	
Total salaries	\$ 4,635,522
Total fringe benefits	1,866,281
Total	\$ 6,501,803
Rent rate	9.20%

American Council for an Energy-Efficient Economy

**Schedule of Determination of Other Rates
Year Ended December 31, 2019**

General and administrative cost rate:

Numerator:

Total allowable general and administrative costs \$ 1,148,476

Denominator:

Direct salaries 3,580,215

Applied fringe benefits 1,444,803

Total \$ 5,025,018

General and administrative cost rate 22.86%

Human resources rate:

Numerator:

Total human resources expense \$ 286,230

Denominator:

Total salaries 4,635,522

Total fringe benefits 1,866,281

Total \$ 6,501,803

Human resources rate 4.40%

IT, website and database rate:

Numerator:

Total IT, website and database expense \$ 551,072

Denominator:

Total salaries 4,635,522

Total fringe benefits 1,866,281

Total \$ 6,501,803

IT, website and database rate 8.48%

Supplies and communications rate:

Numerator:

Total supplies and communications \$ 115,143

Denominator:

Total salaries 4,635,522

Total fringe benefits 1,866,281

Total \$ 6,501,803

Supplies and communications rate 1.77%