



AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2021

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

TABLE OF CONTENTS
DECEMBER 31, 2021

	<u>Pages</u>
Independent Auditor's Report	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-18
Independent Auditor's Report on the Supplementary Information	
Schedule of Fringe Benefits Expense	20
Schedule of Indirect Costs	21
Schedule of Determination of Indirect Cost Rates	22
Schedule of Determination of Other Rates	23



7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600

1150 18TH STREET, NW
SUITE 550
WASHINGTON, DC 20036
(T) 202.822.0717

Independent Auditor's Report

Board of Directors
American Council for an Energy-Efficient Economy
Washington, D.C.

Opinion

We have audited the accompanying financial statements of American Council for an Energy-Efficient Economy (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Council for an Energy-Efficient Economy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Council for an Energy-Efficient Economy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Council for an Energy-Efficient Economy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Council for an Energy-Efficient Economy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

The financial statements of American Council for an Energy-Efficient Economy as of December 31, 2020, were audited by other auditors whose report dated July 19, 2021, expressed an unmodified opinion on those statements. The comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
July 14, 2022

Certified Public Accountants

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 692,895	\$ 230,647
Investments	13,623,892	10,809,397
Accounts Receivable	1,306,695	832,639
Prepaid Expenses	<u>170,566</u>	<u>142,668</u>
Total Current Assets	15,794,048	12,015,351
Noncurrent Assets		
Property and Equipment		
Equipment and Leasehold Improvements, Net of Accumulated Amortization	740,811	248,059
Other Assets		
Security Deposit	<u>37,754</u>	<u>37,754</u>
Total Noncurrent Assets	<u>778,565</u>	<u>285,813</u>
Total Assets	<u>\$ 16,572,613</u>	<u>\$ 12,301,164</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 153,685	\$ 73,347
Other Accrued Expenses	379,296	353,324
Deferred Revenue	387,423	150,500
Funds Held on Behalf of NASEM Collaborative	<u>86,473</u>	<u>19,261</u>
Total Current Liabilities	<u>1,006,877</u>	<u>596,432</u>
Long-Term Liabilities		
Note Payable	-	984,002
Deferred Rent	<u>1,404,810</u>	<u>462,667</u>
Total Long-Term Liabilities	<u>1,404,810</u>	<u>1,446,669</u>
Net Assets		
Net Assets Without Donor Restrictions		
Undesignated	6,041,983	4,820,458
Board Designated	<u>25,000</u>	<u>100,000</u>
Total Net Assets Without Donor Restrictions	6,066,983	4,920,458
Net Assets With Donor Restrictions	<u>8,093,943</u>	<u>5,337,605</u>
Total Net Assets	<u>14,160,926</u>	<u>10,258,063</u>
Total Liabilities and Net Assets	<u>\$ 16,572,613</u>	<u>\$ 12,301,164</u>

See accompanying Notes to Financial Statements.

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
Activities Without Donor Restrictions		
Revenue and Support		
Conference	\$ 855,611	\$ 922,909
Ally Program	680,470	456,970
Interest and Dividends	282,173	208,488
Contributions	138,862	48,441
Other Income	1,296,092	13,362
Net Assets Released from Restrictions	<u>7,196,828</u>	<u>6,789,419</u>
Total Revenue and Support	<u>10,450,036</u>	<u>8,439,589</u>
Expenses		
Program Services		
Research Programs	7,066,249	6,208,870
Conference	781,887	822,218
Lobbying	<u>22,966</u>	<u>10,112</u>
Total Program Services	<u>7,871,102</u>	<u>7,041,200</u>
Supporting Services		
General and Administration	1,775,217	1,708,944
Development	<u>343,606</u>	<u>448,832</u>
Total Supporting Services	<u>2,118,823</u>	<u>2,157,776</u>
Total Expenses	<u>9,989,925</u>	<u>9,198,976</u>
Change in Net Assets Without Donor Restrictions Before Investment Gain	460,111	(759,387)
Net Realized and Unrealized Gain on Investments	<u>781,141</u>	<u>784,014</u>
Change in Net Assets Without Donor Restrictions	<u>1,241,252</u>	<u>24,627</u>
Activities With Donor Restrictions		
Foundation Grants	8,692,530	4,623,281
Research Contributions and Projects	1,157,409	1,463,931
Contributions	-	125,304
Ally Program	8,500	120,000
Net Assets Released from Restrictions	<u>(7,196,828)</u>	<u>(6,789,419)</u>
Change in Net Assets With Donor Restrictions	<u>2,661,611</u>	<u>(456,903)</u>
Change in Net Assets	3,902,863	(432,276)
Net Assets, Beginning of Year	<u>10,258,063</u>	<u>10,690,339</u>
Net Assets, End of Year	<u><u>\$ 14,160,926</u></u>	<u><u>\$ 10,258,063</u></u>

See accompanying Notes to Financial Statements.

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	2021 Total	2020 Total
	Research Programs	Conference	Lobbying		General and Administrative	Development			
Salaries	\$ 3,938,606	\$ 349,509	\$ 14,039	\$ 4,302,154	\$ 955,775	\$ 201,815	\$ 1,157,590	\$ 5,459,744	\$ 5,044,091
Fringe Benefits	1,628,045	143,414	5,687	1,777,146	391,875	83,703	475,578	2,252,724	1,908,315
Total Personnel Expense	5,566,651	492,923	19,726	6,079,300	1,347,650	285,518	1,633,168	7,712,468	6,952,406
Consultants	777,557	223,195	359	1,001,111	98,642	21,446	120,088	1,121,199	931,536
Rent	446,037	39,549	1,589	487,175	125,250	22,906	148,156	635,331	659,527
Conferences and Meetings	8,697	4,982	713	14,392	443	-	443	14,835	163,476
Depreciation and Amortization	101,212	9,057	355	110,624	25,735	5,190	30,925	141,549	139,976
Printing	25,403	779	-	26,182	59,341	785	60,126	86,308	88,041
Telephone	49,946	5,248	166	55,360	-	2,447	2,447	57,807	64,813
Travel	8,440	1,004	-	9,444	4	-	4	9,448	40,117
Supplies	18,661	2,030	58	20,749	-	856	856	21,605	37,142
Accounting Fees	-	-	-	-	30,612	-	30,612	30,612	27,734
Insurance	-	-	-	-	23,958	-	23,958	23,958	24,699
Legal Fees	-	117	-	117	27,581	-	27,581	27,698	24,265
Bank Charges	-	3,003	-	3,003	11,661	4,058	15,719	18,722	16,095
Other Expenses	63,645	-	-	63,645	24,340	400	24,740	88,385	29,149
Total Expenses	\$ 7,066,249	\$ 781,887	\$ 22,966	\$ 7,871,102	\$ 1,775,217	\$ 343,606	\$ 2,118,823	\$ 9,989,925	\$ 9,198,976

See accompanying Notes to Financial Statements.

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 3,902,863	\$ (432,276)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	141,549	139,976
Net Realized and Unrealized Gain on Investments	(781,141)	(784,014)
Deferred Rent	942,143	335,978
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(474,056)	248,948
Prepaid Expenses	(27,898)	(9,695)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	80,338	(160,449)
Accrued Expenses	25,972	(51,871)
Funds Held on Behalf of NASEM Collaborative	67,212	(6,761)
Deferred Revenue	236,923	(119,427)
Net Cash Provided by (Used in) Operating Activities	<u>4,113,905</u>	<u>(839,591)</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(634,301)	(116,320)
Purchases of Investments	(4,282,180)	(2,408,388)
Proceeds from Sales of Investments	2,248,826	2,280,000
Net Cash Used in Investing Activities	<u>(2,667,655)</u>	<u>(244,708)</u>
Cash Flows from Financing Activities		
Borrowings on Paycheck Protection Program Loan	(984,002)	984,002
Net Cash (Used in) Provided by Financing Activities	<u>(984,002)</u>	<u>984,002</u>
Net Increase (Decrease) in Cash	462,248	(100,297)
Cash and Cash Equivalents, Beginning of Year	230,647	330,944
Cash and Cash Equivalents, End of Year	<u>\$ 692,895</u>	<u>\$ 230,647</u>

See accompanying Notes to Financial Statements.

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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. ACEEE 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 activities and technical issues; and educating consumers and businesses through ACEEE's conferences, press, 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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses when the obligation is incurred.

A summary of ACEEE's significant accounting policies are as follows:

Basis of Presentation

ACEEE is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restriction include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. At December 31, 2021 and 2020, designated net assets consist of amounts set aside by ACEEE's Board of Directors for the Halfway There Fund for certain future projects.

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash and Cash Equivalents

For purposes of reporting cash flows, 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 held in the investment portfolio.

Investments

Investments consist of mutual and exchange-traded funds (equity, fixed income, and blended) and money market funds. Investments with readily determinable fair values are reflected at fair value.

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, 2021 and 2020, 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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Valuation of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are reviewed 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, 2021 and 2020, management has determined that there has been no impairment in the carrying value of long-lived assets.

Deferred Rent

Operating lease expenses are recorded based on the straight-line method over the life of the lease, with the difference between rent paid and straight-line expenses recorded as deferred rent.

Leasehold improvements acquired using the improvement allowance have been recorded as a component of property and equipment with a corresponding liability recorded in deferred rent.

Revenue from Contracts with Customers

Revenue from contracts with customers is derived primarily from conferences. Revenue is recognized in the period in which it is earned. ACEEE performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if ACEEE is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. Output methods and input methods are used to measure progress for goods and services for which control has been transferred to the customer. If the specific criteria are not met, revenue is recognized at a point in time.

Conference revenue consists primarily of registration and sponsorship fees. Attendees at in-person or virtual conferences receive educational content, networking opportunities, and access to industry experts and sponsors. Sponsors receive multiple forms of recognition, access to attendees, one or more registrations, promotional opportunities and discounts, and significant non-monetary networking value, all provided at the conference. There is a sliding scale of benefits provided to sponsors commensurate with fees paid. All performance obligations for meeting attendees and sponsors are satisfied as the conference takes place; revenue is therefore recognized over time. Fees are generally collected in advance of the conference and recorded as deferred revenue in the statement of financial position until the conference occurs.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers (Continued)

Prices for the conference registrations and sponsorship fees are specific to distinct performance obligations and do not consist of multiple transactions. They do not include significant financing components as the performance obligations are typically satisfied within a year of receipt of payment. ACEEE did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There is also no incremental cost of obtaining a contract, and there are no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers.

Economic factors driven by consumer confidence, employment, inflation, and other world events impact the timing and level of cash received and revenue recognized by ACEEE. Period of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of ACEEE, or can have a positive impact on cash flows in favorable economic conditions.

Contributions

ACEEE's contributions include donations from individuals, Ally membership, research contributions, and grants from foundations and government agencies. Unconditional contributions are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions and then reclassified to net assets without donor restrictions when the restriction expires.

Sources of Revenue

During the years ended December 31, 2021 and 2020, ACEEE derived approximately 37% 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 statement of activities and statement of 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.

Adopted Accounting Pronouncements

During the year ended December 31, 2020, ACEEE adopted Accounting Standards Update (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.

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements (Continued)

ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP. This standard also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers. ACEEE adopted the new standard effective for the year ended December 31, 2020, using the modified retrospective method. Based on ACEEE's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption had no impact on the statement of financial position and statement of activities, but resulted in additional disclosures. See revenue recognition section of this footnote for enhanced disclosures.

Also during the year ended December 31, 2020, ACEEE adopted the guidance regarding contributions made from ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Based on ACEEE's review of its contributions made, the timing and amount of expense recognized previously is consistent with how expenses are recognized under the new standard.

Pending Accounting Pronouncements

In February 2016, Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*, which changes the accounting for leases. 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. The new standard will be effective for ACEEE during the year ending December 31, 2022. ACEEE is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU will be effective for ACEEE for the year ending December 31, 2022. The adoption of ASU 2020-07 is not expected to have a significant impact on ACEEE's financial statements.

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 had no unrelated business income for the years ended December 31, 2021 and 2020.

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and certain notes. Actual results could differ from those estimates.

2. LIQUIDITY AND AVAILABILITY

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.

Financial assets available for general expenditure within one year are as follows as of December 31, 2021 and 2020:

	2021	2020
<i>Liquid Financial Assets at Year End</i>		
Cash and Cash Equivalents	\$ 692,895	\$ 230,647
Accounts Receivable	1,306,695	832,639
Investments Available for Operating Purposes	13,623,892	10,809,397
Total Financial Assets	15,623,482	11,872,683
<i>Restricted Liquid Financial Assets at Year End</i>		
Cash Collateral Held for Lease Security Deposit	(53,392)	(55,178)
Funds Held on Behalf of NASEM Collaborative	(86,473)	(19,261)
Board-Designated Assets for Use in Future Periods	(25,000)	(100,000)
Net Assets Restricted by Donors	(8,093,943)	(5,337,605)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 7,364,674	\$ 6,360,639

3. FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Fair Value Measurement Topic of the Accounting Standards Codification (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.

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

3. FAIR VALUE MEASUREMENTS AND INVESTMENTS (CONTINUED)

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, 2021 and 2020.

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 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 net asset value (NAV) practical expedient. There were no Level 3 inputs for any assets or liabilities held by ACEEE at December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the only assets and liabilities of ACEEE which were measured at fair value on a recurring basis were ACEEE's investments. Investments recorded at fair value which are classified within Level 1 include equity, fixed income, and blended mutual funds, and money market funds, the fair values for which were based on quoted prices for identical assets in active markets. 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.

Fair values of assets measured on a recurring basis at December 31, 2021, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, at Fair Value				
Mutual Funds - Bond Funds	\$ 4,069,904	\$ 4,069,904	\$ -	\$ -
Mutual Funds - Equity Funds	5,672,641	5,672,641	-	-
Money Market Fund	3,758,653	3,758,653	-	-
Mutual Funds - Blended Fund	-	-	-	-
Investments, at Fair Value	<u>13,501,198</u>	<u>\$ 13,501,198</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	<u>122,694</u>			
	<u><u>\$ 13,623,892</u></u>			

Fair values of assets measured on a recurring basis at December 31, 2020, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, at Fair Value				
Mutual Funds - Bond Funds	\$ 3,383,444	\$ 3,383,444	\$ -	\$ -
Mutual Funds - Equity Funds	3,397,282	3,397,282	-	-
Money Market Fund	2,483,876	2,483,876	-	-
Mutual Funds - Blended Fund	509,699	509,699	-	-
Investments, at Fair Value	<u>9,774,301</u>	<u>\$ 9,774,301</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	<u>122,694</u>			
	<u><u>\$ 9,896,995</u></u>			

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture and Equipment	\$ 257,855	\$ 248,643
Software	173,613	317,333
Leasehold Improvements	<u>799,571</u>	<u>409,664</u>
	1,231,039	975,640
Less Accumulated Depreciation and Amortization	<u>(490,228)</u>	<u>(727,581)</u>
	<u><u>\$ 740,811</u></u>	<u><u>\$ 248,059</u></u>

5. 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 \$297,673 and \$271,087 for the years ended December 31, 2021 and 2020, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Restricted by Purpose		
Foundation Grants	\$ 7,204,366	\$ 4,459,777
Research Contributions	304,799	398,088
Halfway There Fund	181,995	168,765
Linda Latham Scholarship Fund	78,591	71,622
BECC and Other Programs	<u>68,192</u>	<u>119,353</u>
	7,837,943	5,217,605
Restricted by Time		
Ally Program	<u>256,000</u>	<u>120,000</u>
	<u><u>\$ 8,093,943</u></u>	<u><u>\$ 5,337,605</u></u>

During the years ended December 31, 2021 and 2020, net assets of \$7,196,828 and \$6,789,419, respectively, 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. A total of \$552,970 was donated by ACEEE's Ally members for use in 2021, of which \$120,000 is included in releases from restriction during the year ended December 31, 2021. A total of \$529,399 was donated by ACEEE's Ally members for use in 2020, of which \$72,429 is included in releases from restriction during the year ended December 31, 2020.

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

7. 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.

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 contained an abatement of rental payments for 12 months, escalation clauses, charges for other costs related to the leased office space, tenant allowances for improvements, and other stipulations.

In accordance with the August 2020 amendment, ACEEE has an irrevocable letter of credit in the amount of \$55,178 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.

Future minimum cash payments under the terms of the lease, as amended in August 2020, are as follows:

For the Years Ending December 31,

2022	\$ 689,499
2023	706,677
2024	724,322
2025	742,413
2026	760,970
Thereafter	4,609,584
Totals	<u>\$ 8,233,465</u>

Rent expense for the years ended December 31, 2021 and 2020, totaled \$635,331 and \$659,257, respectively.

8. PPP LOAN

During 2020, ACEEE received a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of \$984,002. PPP provides cash-flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 public health emergency and cover certain other expenses. If ACEEE maintains its workforce and meets certain requirements, up to 100% of the loan may be forgiven by the SBA. No more than 40% of the forgiven amount may be for non-payroll costs. Loans under PPP have an interest rate of 1% and may negotiate to a five-year maturity date, if not forgiven. The PPP loan was forgiven in full in January 2021 and is included in other income on the statement of activities for the year ended December 31, 2021.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

9. RELATED PARTY TRANSACTIONS

ACEEE, in conjunction with one other organization, host the Behavior, Energy & Climate Change conference (BECC) every year. The two organizations share equally in the financial risk of BECC. All surpluses and losses are tracked in a restricted net asset fund by ACEEE, which 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.

10. COVID-19 PANDEMIC

Management is continually monitoring the potential impact of the coronavirus (COVID-19) pandemic on ACEEE. Management will review and adjust planned operations should it be determined the outbreak will significantly impact the financial position and activities of ACEEE.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 14, 2022, which is the date the financial statements were available to be issued.



7910 WOODMONT AVENUE
SUITE 500
BETHESDA, MD 20814
(T) 301.986.0600

1150 18TH STREET, NW
SUITE 550
WASHINGTON, DC 20036
(T) 202.822.0717

Independent Auditor's Report on the Supplementary Information

Board of Directors
American Council for an Energy-Efficient Economy
Washington, D.C.

We have audited the financial statements of American Council for an Energy-Efficient Economy (ACEEE) as of and for the year ended December 31, 2021, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 3-4. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for 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 financial 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.

Councilor, Buchanan + Mitchell, P.C.

Certified Public Accountants

Bethesda, Maryland
July 14, 2022

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

SCHEDULE OF FRINGE BENEFITS EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

Holiday, Sick, and Vacation	\$ 890,450
Health, Life and Disability Insurance, and Metro Allowance	646,243
Payroll Taxes	417,909
Retirement	297,673
Other Benefits	<u>449</u>
Total Fringe Benefits	<u>\$ 2,252,724</u>

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

SCHEDULE OF INDIRECT COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Salaries	\$ 1,242,333
Fringe Benefits	509,829
Consultants	222,386
Occupancy	157,756
Printing and Publications	59,445
Telephone	57,293
Depreciation	33,176
Accounting Fees	30,611
Insurance	23,959
Supplies	20,051
Legal Fees	27,581
Staff Development	17,704
Finance Charges	11,662
Dues and Subscriptions	3,152
Postage and Delivery	2,363
Other Expenses	<u>1,053</u>
Total Allowable Indirect Costs	<u><u>\$ 2,420,354</u></u>

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

SCHEDULE OF DETERMINATION OF INDIRECT COST RATES
FOR THE YEAR ENDED DECEMBER 31, 2021

Fringe Benefits Rate	
Numerator	
Total Fringe Benefits	<u>\$ 2,252,724</u>
Denominator	
Total Salaries	<u>\$ 5,459,744</u>
Fringe Benefits Rate	<u>41.26%</u>
Depreciation and Amortization Rate	
Numerator	
Total Depreciation and Amortization	<u>\$ 141,549</u>
Denominator	
Total Salaries	<u>\$ 5,459,744</u>
Total Fringe Benefits	<u>2,252,724</u>
Total	<u>\$ 7,712,468</u>
Depreciation and Amortization Rate	<u>1.84%</u>
Rent Rate	
Numerator	
Total Rent	<u>\$ 635,331</u>
Denominator	
Total Salaries	<u>\$ 5,459,744</u>
Total Fringe Benefits	<u>2,252,724</u>
Total	<u>\$ 7,712,468</u>
Rent Rate	<u>8.24%</u>

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

**SCHEDULE OF DETERMINATION OF OTHER RATES
FOR THE YEAR ENDED DECEMBER 31, 2021**

General and Administrative Cost Rate

Numerator	
Total Allowable General and Administrative Costs	<u>\$ 1,460,310</u>
Denominator	
Direct Salaries	\$ 4,217,411
Applied Fringe Benefits	<u>1,764,560</u>
Total	<u>\$ 5,981,971</u>
General and Administrative Cost Rate	<u>24.41%</u>

Human Resources Rate

Numerator	
Total Human Resources Expense	<u>\$ 314,393</u>
Denominator	
Total Salaries	\$ 5,459,744
Total Fringe Benefits	<u>2,252,724</u>
Total	<u>\$ 7,712,468</u>
Human Resources Rate	<u>4.08%</u>

IT, Website, and Database Rate

Numerator	
Total IT, Website, and Database Expense	<u>\$ 568,307</u>
Denominator	
Total Salaries	\$ 5,459,744
Total Fringe Benefits	<u>2,252,724</u>
Total	<u>\$ 7,712,468</u>
IT, Website, and Database Rate	<u>7.37%</u>

Supplies and Communications Rate

Numerator	
Total Supplies and Communications	<u>\$ 77,344</u>
Denominator	
Total Salaries	\$ 5,459,744
Total Fringe Benefits	<u>2,252,724</u>
Total	<u>\$ 7,712,468</u>
Supplies and Communications Rate	<u>1.00%</u>