

American Council for an Energy-Efficient Economy

Financial Report
December 31, 2020

Contents

Independent auditor's report	1
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Financial statements	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4-5
Statements of cash flows	6
Notes to financial statements	7-15

Independent auditor's report on the supplementary information	16
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Supplementary information	
Schedule of fringe benefits expense	17
Schedule of indirect costs	18
Schedule of determination of indirect cost rates	19
Schedule of determination of other rates	20



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 statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Washington, D.C.
July 19, 2021

American Council for an Energy-Efficient Economy

**Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 230,647	\$ 330,944
Investments	10,809,397	9,896,995
Accounts receivable	133,424	67,103
Promises to give	699,215	1,014,484
Prepaid expenses	142,668	132,973
Security deposit	37,754	37,754
Equipment and leasehold improvements, net	248,059	271,715
Total assets	\$ 12,301,164	\$ 11,751,968
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 426,671	\$ 638,991
Funds held on behalf of NASEM Collaborative	19,261	26,022
Note payable	984,002	-
Deferred revenue	150,500	269,927
Deferred rent	462,667	126,689
Total liabilities	2,043,101	1,061,629
Commitments and contingencies (Note 8)		
Net assets:		
Without donor restrictions:		
Undesignated	4,820,458	4,795,831
Board-designated	100,000	100,000
Total net assets without donor restrictions	4,920,458	4,895,831
With donor restrictions	5,337,605	5,794,508
Total net assets	10,258,063	10,690,339
Total liabilities and net assets	\$ 12,301,164	\$ 11,751,968

See notes to financial statements.

American Council for an Energy-Efficient Economy

**Statements of Activities
Years Ended December 31, 2020 and 2019**

	2020	2019
Activities without donor restrictions:		
Revenue and support:		
Conference	\$ 922,909	\$ 1,451,146
Ally program	456,970	517,405
Interest and dividends	208,488	210,879
Contributions	48,441	52,175
Other income	13,362	11,454
Net assets released from restrictions	6,789,419	6,331,189
Total revenue and support	8,439,589	8,574,248
Expenses:		
Program services:		
Research programs	6,208,870	6,118,701
Conference	822,218	1,387,090
Lobbying	10,112	28,126
Total program services	7,041,200	7,533,917
Supporting services:		
General and administrative	1,708,944	1,497,399
Development	448,832	385,402
Total supporting services	2,157,776	1,882,801
Total expenses	9,198,976	9,416,718
Change in net assets without donor restrictions before investment gain	(759,387)	(842,470)
Net realized and unrealized gain on investments	784,014	1,025,053
Change in net assets without donor restrictions	24,627	182,583
Activities with donor restrictions:		
Foundation grants	4,623,281	5,124,307
Research contributions and projects	1,463,931	1,298,553
Contributions	125,304	89,912
Ally program	120,000	72,429
Net assets released from restrictions	(6,789,419)	(6,331,189)
Change in net assets with donor restrictions	(456,903)	254,012
Change in net assets	(432,276)	436,595
Net assets:		
Beginning	10,690,339	10,253,744
Ending	\$ 10,258,063	\$ 10,690,339

See notes to financial statements.

American Council for an Energy-Efficient Economy

Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Research Programs	Conference	Lobbying		General and Administrative	Development		
Salaries	\$ 3,504,380	\$ 324,894	\$ 6,354	\$ 3,835,628	\$ 956,860	\$ 251,603	\$ 1,208,463	\$ 5,044,091
Fringe benefits	1,356,996	128,020	2,706	1,487,722	321,769	98,824	420,593	1,908,315
Total personnel expense	4,861,376	452,914	9,060	5,323,350	1,278,629	350,427	1,629,056	6,952,406
Consultants	618,581	156,393	-	774,974	113,195	43,367	156,562	931,536
Rent	458,872	42,553	845	502,270	124,308	32,949	157,257	659,527
Conferences and meetings	13,194	131,974	-	145,168	15,844	2,464	18,308	163,476
Depreciation and amortization	98,352	9,249	184	107,785	25,051	7,140	32,191	139,976
Printing	33,666	3,134	-	36,800	50,072	1,169	51,241	88,041
Telephone	54,900	6,285	-	61,185	-	3,628	3,628	64,813
Travel	23,839	8,087	23	31,949	4,325	3,843	8,168	40,117
Supplies	32,177	2,920	-	35,097	-	2,045	2,045	37,142
Accounting fees	-	-	-	-	27,734	-	27,734	27,734
Insurance	27	-	-	27	24,672	-	24,672	24,699
Legal fees	195	1,404	-	1,599	22,666	-	22,666	24,265
Bank charges	100	4,251	-	4,351	10,742	1,002	11,744	16,095
Other expenses	13,591	3,054	-	16,645	11,706	798	12,504	29,149
Total expenses	\$ 6,208,870	\$ 822,218	\$ 10,112	\$ 7,041,200	\$ 1,708,944	\$ 448,832	\$ 2,157,776	\$ 9,198,976

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
Rent	425,976	47,991	1,740	475,707	97,299	25,010	122,309	598,016
Conferences and meetings	61,927	596,531	2	658,460	19,811	7,878	27,689	686,149
Depreciation and amortization	93,776	10,494	371	104,641	21,263	5,368	26,631	131,272
Printing	24,939	7,288	3	32,230	38,311	464	38,775	71,005
Telephone	74,907	8,063	290	83,260	-	4,915	4,915	88,175
Travel	170,462	62,872	116	233,450	11,418	21,470	32,888	266,338
Supplies	30,357	18,317	118	48,792	-	2,265	2,265	51,057
Accounting fees	-	-	-	-	23,175	-	23,175	23,175
Insurance	-	-	-	-	21,297	-	21,297	21,297
Legal fees	888	-	-	888	12,860	-	12,860	13,748
Bank charges	67	6,806	-	6,873	8,884	752	9,636	16,509
Temporary help	-	-	-	-	25,146	-	25,146	25,146
Meals and entertainment	-	-	-	-	12,778	-	12,778	12,778
Other expenses	12,101	8,174	-	20,275	31,790	77	31,867	52,142
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

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (432,276)	\$ 436,595
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	139,976	131,272
Net realized and unrealized gain on investments	(784,014)	(1,025,053)
Deferred rent	335,978	(60,089)
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(66,321)	34,181
Promises to give	315,269	534,399
Prepaid expenses	(9,695)	(62,109)
Increase (decrease) in:		
Accounts payable and accrued expenses	(212,320)	300,217
Funds held on behalf of NASEM Collaborative	(6,761)	26,022
Deferred revenue	(119,427)	259,177
Net cash (used in) provided by operating activities	(839,591)	574,612
Cash flows from investing activities:		
Purchases of property and equipment	(116,320)	(152,528)
Purchases of investments	(2,408,388)	(3,734,540)
Proceeds from sales of investments	2,280,000	2,722,664
Net cash used in investing activities	(244,708)	(1,164,404)
Cash flows from financing activities:		
Borrowings on Paycheck Protection Program loan	984,002	-
Net cash provided by financing activities	984,002	-
Net decrease in cash and cash equivalents	(100,297)	(589,792)
Cash and cash equivalents:		
Beginning	330,944	920,736
Ending	\$ 230,647	\$ 330,944

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 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, 2020 and 2019, designated net assets consist of amounts set aside by ACEEE's Board of Directors 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 statements 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.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

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

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, 2020 and 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.

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, 2020 and 2019, management has determined that there has been no impairment in the carrying value of long-lived assets.

Paycheck Protection Program loan: ACEEE received proceeds from the Paycheck Protection Program (PPP) during the year ended December 31, 2020. ACEEE chose to account for the loan as a note payable in accordance with ASC 470 and will record a gain on loan forgiveness in the period when official notification of forgiveness is received, as this is when ACEEE considers the conditions for forgiveness to be substantially met. ACEEE received notice of full forgiveness, including any applicable interest, in January 2021.

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.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

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

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.

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 are 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.

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 \$1,101,000 as of December 31, 2020. 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 years ended December 31, 2020 and 2019, ACEEE derived approximately 37% and 38%, respectively, 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.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

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

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.

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. 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 statements of financial position and statements 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, 2020 and 2019.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 1. Nature of Activities and 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.

Subsequent events: Subsequent events have been evaluated through July 19, 2021, which is the date the financial statements were available to be issued.

Note 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.

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 to the Halfway there Fund 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.

Financial assets available for general expenditure within one year are as follows as of December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	\$ 230,647	\$ 330,944
Investments	10,809,397	9,896,995
Accounts receivable	133,424	67,103
Promises to give	699,215	1,014,484
Total financial assets	<u>11,872,683</u>	<u>11,309,526</u>
Less:		
Cash collateral held for lease security deposit	(55,178)	(53,392)
Funds held on behalf of NASEM Collaborative	(19,261)	(26,022)
Board-designated assets for use in future periods	(100,000)	(100,000)
Net assets restricted by donors	<u>(5,337,605)</u>	<u>(5,794,508)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,360,639</u>	<u>\$ 5,335,604</u>

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 3. Investments and Fair Value Measurements

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, 2020 and 2019.

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, 2020 and 2019.

As of December 31, 2020 and 2019, 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, 2020, are as follows:

	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Mutual funds – bond funds	\$ 4,070,402	\$ 4,070,402	\$ -	\$ -
Mutual funds – equity funds	4,017,847	4,017,847	-	-
Money market fund	2,007,442	2,007,442	-	-
Mutual funds – blended fund	591,012	591,012	-	-
Investments, at fair value	10,686,703	<u>\$ 10,686,703</u>	<u>\$ -</u>	<u>\$ -</u>
Cash	122,694			
	<u>\$ 10,809,397</u>			

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 3. Fair Value Measurements and Investments (Continued)

Fair values of assets measured on a recurring basis at December 31, 2019, are as follows:

	Total	Level 1	Level 2	Level 3
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	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, 2020 and 2019:

	2020	2019
Foundation grants	\$ 325,500	\$ 727,000
Research contributions and projects	319,715	252,343
Ally program and other contributions	54,000	35,141
	<u>\$ 699,215</u>	<u>\$ 1,014,484</u>

All promises to give are expected to be collected within one year at December 31, 2020 and 2019.

Note 5. Equipment and Leasehold Improvements

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

	2020	2019
Furniture and equipment	\$ 248,643	\$ 250,045
Software	317,333	323,333
Leasehold improvements	409,664	324,230
	975,640	897,608
Less accumulated depreciation and amortization	(727,581)	(625,893)
	<u>\$ 248,059</u>	<u>\$ 271,715</u>

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 \$271,087 and \$256,642 for the years ended December 31, 2020 and 2019, respectively.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as follows as of December 31, 2020 and 2019:

	2020	2019
Restricted by purpose:		
Foundation grants	\$ 4,459,777	\$ 5,025,404
Research contributions	398,088	386,812
Halfway There Fund	168,765	61,811
Linda Latham Scholarship Fund	71,622	71,622
BECC and other programs	119,353	176,430
Total restricted by purpose	<u>5,217,605</u>	<u>5,722,079</u>
Restricted by time:		
Ally program	120,000	72,429
	<u>\$ 5,337,605</u>	<u>\$ 5,794,508</u>

During the years ended December 31, 2020 and 2019, net assets of \$6,789,419 and \$6,331,189, 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 \$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. A total of \$517,405 was donated by ACEEE's Ally members for use in 2019.

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.

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 statements of financial position.

American Council for an Energy-Efficient Economy

Notes to Financial Statements

Note 8. Commitments and Contingencies (Continued)

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

Years ending December 31:	
2021	\$ 286,447
2022	689,499
2023	706,677
2024	724,322
2025	742,413
Thereafter	5,370,556
	<u>\$ 8,519,914</u>

Rent expense for the years ended December 31, 2020 and 2019, totaled \$659,257 and \$598,016, respectively.

Note 9. Note Payable

In April 2020, ACEEE obtained a loan totaling \$984,002, pursuant to the PPP, which is recorded as a note payable at December 31, 2020. Until forgiveness is granted, the loan bears interest at a rate of 1% per annum. Additionally, under the terms of the PPP, the loan and related accrued interest is forgivable after 24 weeks if ACEEE used the proceeds for eligible purposes, and any unforgiven portion of the PPP loan will be payable over two years.

ACEEE received notice of full forgiveness, including any applicable interest, in January 2021.

Note 10. 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 statements 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 statements of financial position.

Note 11. 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.

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, 2020, and have issued our report thereon, which contains 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 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.

RSM US LLP

Washington, D.C.
July 19, 2021

American Council for an Energy-Efficient Economy

Schedule of Fringe Benefits Expenses

Year Ended December 31, 2020

Holiday, sick and vacation	\$ 739,017
Health, life and disability insurance, and metro allowance	473,752
Payroll taxes	378,293
Retirement	271,087
Other benefits	<u>46,166</u>
Total fringe benefits	<u><u>\$ 1,908,315</u></u>

American Council for an Energy-Efficient Economy

**Schedule of Indirect Costs
Year Ended December 31, 2020**

Salaries	\$ 1,175,949
Fringe benefits	416,702
Consultants	229,376
Occupancy	144,504
Telephone	62,859
Printing and publications	50,673
Depreciation	32,344
Supplies	28,948
Accounting fees	27,733
Insurance	24,672
Legal fees	22,666
Conferences and meetings	15,842
Staff development	14,743
Finance charges	10,741
Travel expenses	4,322
Dues and subscriptions	2,407
Postage and delivery	1,078
Other expenses	376
Taxes	(6,668)
Total indirect costs	<u>2,259,267</u>
Less unallowable costs:	
Amounts subsidized by Paycheck Protection Program Loan	<u>(210,709)</u>
Total unallowable costs	<u>(210,709)</u>
Total allowable indirect costs	<u><u>\$ 2,048,558</u></u>

American Council for an Energy-Efficient Economy

Schedule of Determination of Indirect Cost Rates

Year Ended December 31, 2020

Fringe benefits rate:

Numerator

Total fringe benefits

\$ 1,908,315

Denominator:

Total salaries

\$ 5,044,091

Fringe benefits rate

37.83%

Depreciation and amortization rate:

Numerator

Total depreciation and amortization

\$ 139,976

Denominator:

Total salaries

\$ 5,044,091

Total fringe benefits

1,908,315

Total

\$ 6,952,406

Depreciation and amortization rate

2.01%

Rent rate:

Numerator:

Total Rent

\$ 659,527

Denominator:

Total salaries

\$ 5,044,091

Total fringe benefits

1,908,315

Total

\$ 6,952,406

Rent rate

9.49%

American Council for an Energy-Efficient Economy

Schedule of Determination of Other Rates
Year Ended December 31, 2020

General and administrative cost rate:

Numerator:

Total allowable general and administrative costs \$ 1,217,377

Denominator:

Direct salaries 3,868,142

Applied fringe benefits 1,491,613

Total \$ 5,359,755

General and administrative cost rate 22.71%

Human resources rate:

Numerator:

Total human resources expense \$ 274,499

Denominator:

Total salaries 5,044,091

Total fringe benefits 1,908,315

Total \$ 6,952,406

Human resources rate 3.95%

IT, website and database rate:

Numerator:

Total IT, website and database expense \$ 465,327

Denominator:

Total salaries 5,044,091

Total fringe benefits 1,908,315

Total \$ 6,952,406

IT, website and database rate 6.69%

Supplies and communications rate:

Numerator:

Total supplies and communications \$ 91,355

Denominator:

Total salaries 5,044,091

Total fringe benefits 1,908,315

Total \$ 6,952,406

Supplies and communications rate 1.31%