



**AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2022**

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

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DECEMBER 31, 2022

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## 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, 2022, and the related statements of activities, functional expenses, and cash flows for the years 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, 2022, 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.

### *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.

### *Emphasis of Matter*

As discussed in Note 2 of the financial statements, American Council for an Energy-Efficient Economy adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### *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. 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.

***Report on Summarized Comparative Information***

We have previously audited American Council for an Energy-Efficient Economy's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
May 19, 2023

Certified Public Accountants

**AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2022**

**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)**

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 628,043	\$ 692,895
Investments	9,938,707	13,623,892
Accounts Receivable	1,586,861	1,306,695
Prepaid Expenses	99,372	170,566
Total Current Assets	12,252,983	15,794,048
<b>Operating Right-of-Use Asset</b>	<b>5,366,089</b>	-
<b>Property and Equipment</b>		
Equipment and Leasehold Improvements, Net of Accumulated Amortization	915,844	740,811
<b>Other Assets</b>		
Security Deposit	37,754	37,754
<b>Total Assets</b>	<b>\$ 18,572,670</b>	<b>\$ 16,572,613</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 518,417	\$ 153,685
Other Accrued Expenses	382,032	379,296
Operating Lease Liability	596,898	-
Deferred Revenue	658,556	387,423
Funds Held on Behalf of NASEM Collaborative	136,527	86,473
Total Current Liabilities	2,292,430	1,006,877
<b>Long-Term Liabilities</b>		
Operating Lease Liability, Net of Current Portion	6,371,068	-
Deferred Rent	-	1,404,810
Total Long-Term Liabilities	6,371,068	1,404,810
<b>Net Assets</b>		
Net Assets Without Donor Restrictions		
Undesignated	4,690,888	6,041,983
Board Designated	25,000	25,000
Total Net Assets Without Donor Restrictions	4,715,888	6,066,983
Net Assets With Donor Restrictions	5,193,284	8,093,943
Total Net Assets	9,909,172	14,160,926
<b>Total Liabilities and Net Assets</b>	<b>\$ 18,572,670</b>	<b>\$ 16,572,613</b>

*See accompanying Notes to Financial Statements.*



AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022	2021
<b>Activities Without Donor Restrictions</b>		
Revenue and Support		
Conference	\$ 1,921,671	\$ 855,611
Ally Program	668,970	680,470
Contracts	1,112,345	312,226
Interest and Dividends	259,018	282,173
Contributions	169,812	138,862
Other Income	2,415	983,866
Net Assets Released from Restrictions	9,130,587	7,196,828
Total Revenue and Support	13,264,818	10,450,036
Expenses		
Program Services		
Research Programs	8,803,175	7,066,249
Conference	1,661,683	781,887
Lobbying	14,144	22,966
Total Program Services	10,479,002	7,871,102
Supporting Services		
General and Administration	2,079,868	1,775,217
Development	391,284	343,606
Total Supporting Services	2,471,152	2,118,823
Total Expenses	12,950,154	9,989,925
Change in Net Assets Without Donor		
Restrictions before Investment (Loss) Gain	314,664	460,111
Net Realized and Unrealized (Loss) Gain on Investments	(1,665,759)	781,141
Change in Net Assets Without Donor Restrictions	(1,351,095)	1,241,252
<b>Activities With Donor Restrictions</b>		
Foundation Grants	4,785,000	8,692,530
Research Contributions and Projects	1,444,928	1,157,409
Ally Program	-	8,500
Net Assets Released from Restrictions	(9,130,587)	(7,196,828)
Change in Net Assets With Donor Restrictions	(2,900,659)	2,661,611
Change in Net Assets	(4,251,754)	3,902,863
Net Assets, Beginning of Year	14,160,926	10,258,063
<b>Net Assets, End of Year</b>	\$ 9,909,172	\$ 14,160,926

*See accompanying Notes to Financial Statements.*

**AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)**

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	2022 Total	2021 Total
	Research Programs	Conference	Lobbying		General and Administrative	Development			
Salaries	\$ 4,334,681	\$ 380,121	\$ 8,786	\$ 4,723,588	\$ 1,095,711	\$ 205,145	\$ 1,300,856	\$ 6,024,444	\$ 5,459,744
Fringe Benefits	1,872,469	164,217	3,836	2,040,522	474,662	88,927	563,589	2,604,111	2,252,724
<b>Total Personnel Expense</b>	<b>6,207,150</b>	<b>544,338</b>	<b>12,622</b>	<b>6,764,110</b>	<b>1,570,373</b>	<b>294,072</b>	<b>1,864,445</b>	<b>8,628,555</b>	<b>7,712,468</b>
Consultants	1,796,294	176,409	233	1,972,936	84,899	16,223	101,122	2,074,058	1,121,199
Operating Lease Expense	463,064	40,555	952	504,571	93,526	21,947	115,473	620,044	635,331
Conferences and Meetings	49,632	827,820	-	877,452	21,175	21,481	42,656	920,108	14,835
Depreciation and Amortization	96,362	8,430	198	104,990	67,644	4,576	72,220	177,210	141,549
Printing	19,569	412	-	19,981	89,469	4	89,473	109,454	86,308
Telephone	47,476	4,829	95	52,400	-	2,223	2,223	54,623	57,807
Travel	88,083	18,602	-	106,685	6,269	9,372	15,641	122,326	9,448
Supplies	22,513	22,723	44	45,280	-	1,211	1,211	46,491	21,605
Accounting Fees	-	-	-	-	25,000	-	25,000	25,000	30,612
Insurance	-	-	-	-	31,366	-	31,366	31,366	23,958
Legal Fees	1,625	3,751	-	5,376	25,948	-	25,948	31,324	27,698
Bank Charges	823	2,935	-	3,758	9,618	5,175	14,793	18,551	18,722
Other Expenses	10,584	10,879	-	21,463	54,581	15,000	69,581	91,044	88,385
<b>Total Expenses</b>	<b>\$ 8,803,175</b>	<b>\$ 1,661,683</b>	<b>\$ 14,144</b>	<b>\$ 10,479,002</b>	<b>\$ 2,079,868</b>	<b>\$ 391,284</b>	<b>\$ 2,471,152</b>	<b>\$ 12,950,154</b>	<b>\$ 9,989,925</b>

See accompanying Notes to Financial Statements.

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (4,251,754)	\$ 3,902,863
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation and Amortization	177,210	141,549
Operating Lease Expense	620,044	-
Net Realized and Unrealized Loss (Gain) on Investments	1,665,759	(781,141)
Deferred Rent	-	942,143
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(280,166)	(474,056)
Prepaid Expenses	71,194	(27,898)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	364,732	80,338
Accrued Expenses	2,736	25,972
Funds Held on Behalf of NASEM Collaborative	50,054	67,212
Deferred Revenue	271,133	236,923
Operating Lease Liability	<u>(689,499)</u>	<u>-</u>
Net Cash (Used in) Provided by Provided by Operating Activities	<u>(1,998,557)</u>	<u>4,113,905</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(189,891)	(634,301)
Purchases of Investments	(1,359,016)	(4,282,180)
Proceeds from Sales of Investments	<u>3,482,612</u>	<u>2,248,826</u>
Net Cash Provided by (Used in) Investing Activities	<u>1,933,705</u>	<u>(2,667,655)</u>
<b>Cash Flows from Financing Activities</b>		
Borrowings on Paycheck Protection Program Loan	<u>-</u>	<u>(984,002)</u>
Net Cash Used in Financing Activities	<u>-</u>	<u>(984,002)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(64,852)	462,248
Cash and Cash Equivalents, Beginning of Year	<u>692,895</u>	<u>230,647</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 628,043</u>	<u>\$ 692,895</u>
<b>Noncash Transactions from Investing and Financing Activities</b>		
Establishment of Operating Right-of-Use Asset	\$ 5,868,398	\$ -
Establishment of Operating Lease Liability	7,539,730	-

*See accompanying Notes to Financial Statements.*



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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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, 2022 and 2021, designated net assets consist of amounts set aside by ACEEE's Board of Directors for the Halfway There Fund for certain future projects.



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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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, 2022 and 2021, 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, 2022

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

*Right-of-Use Assets and Lease Liabilities*

The determination of whether an arrangement is a lease is made at the lease's inception. Under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Lease liabilities are initially measured at the present value of minimum lease payments using a risk-free rate that approximates the remaining term of the lease. The right-of-use asset is the lease liability adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring ACEEE's right-of-use assets and lease liabilities. Operating lease expense is allocated over the remaining lease term on a straight-line basis. ACEEE considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, ACEEE does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

*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, 2022 and 2021, management has determined that there has been no impairment in the carrying value of long-lived assets.

*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



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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

*Revenue from Contracts with Customers (Continued)*

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 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, 2022 and 2021, 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.



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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1. ORGANIZATION AND SUMMARY OF 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 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.

*Adoption of Accounting Standard Update 2016-02*

During the year ended December 31, 2022, ACEEE adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in *Topic 840*. ACEEE also adopted the following ASUs, which amend and clarify *Leases (Topic 842)*: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2021-05, *Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new lease guidance is the requirement to recognize right-of-use assets and lease liabilities for operating leases on the statement of financial position.

ACEEE adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022, as the initial date of application. Management has elected to apply all practical expedients available under the new guidance, which allows ACEEE to: (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases; and (3) not reassess initial direct costs for any existing leases. ACEEE also elected to apply the practical expedient to use hindsight in determining the lease term.

The most significant impact was the recognition of right-of-use assets and lease liabilities for all leases with terms greater than twelve months. Accordingly, an operating right-of-use asset and lease liability totaling approximately \$5,868,398 and \$7,539,730, respectively, was recognized as of January 1, 2022. Existing deferred rent and lease incentive of approximately \$1,671,000 as of January 1, 2022, is included as a reduction to the initial measurement of the right-of-use asset for the operating lease.

*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, 2022 and 2021.



AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<i>Liquid Financial Assets at Year End</i>		
Cash and Cash Equivalents	\$ 628,043	\$ 692,895
Accounts Receivable	1,586,861	1,306,695
Investments Available for Operating Purposes	<u>9,938,707</u>	<u>13,623,892</u>
Total Financial Assets	12,153,611	15,623,482
<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	(136,527)	(86,473)
Board-Designated Assets for Use in Future Periods	(25,000)	(25,000)
Net Assets Restricted by Donors	<u>(5,193,284)</u>	<u>(8,093,943)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 6,745,408</u>	<u>\$ 7,362,888</u>

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, 2022

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, 2022 and 2021.

*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, 2022 and 2021.

As of December 31, 2022 and 2021, 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, 2022, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments, at Fair Value</b>				
Mutual Funds - Bond Funds	\$ 3,811,382	\$ 3,811,382	\$ -	\$ -
Mutual Funds - Equity Funds	4,498,575	4,498,575	-	-
Money Market Fund	1,506,016	1,506,016	-	-
Mutual Funds - Blended Fund	-	-	-	-
<b>Investments, at Fair Value</b>	<b>9,815,973</b>	<b>\$ 9,815,973</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash</b>	<b>122,734</b>			
	<b><u>\$ 9,938,707</u></b>			

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>
<b>Investments, at Fair Value</b>				
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	-	-	-	-
<b>Investments, at Fair Value</b>	<b>13,501,198</b>	<b>\$ 13,501,198</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash</b>	<b>122,694</b>			
	<b><u>\$ 13,623,892</u></b>			

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Equipment and leasehold improvements consisted of the following at December 31, 2022 and 2021:

	2022	2021
Furniture and Equipment	\$ 487,253	\$ 257,855
Software	173,613	173,613
Leasehold Improvements	897,211	799,571
	1,558,077	1,231,039
Less Accumulated Depreciation and Amortization	(642,233)	(490,228)
	\$ 915,844	\$ 740,811

**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 3% contribution and will match up to 3% of eligible employee compensation. Total employer contributions to the Plan totaled \$401,936 and \$297,673 for the years ended December 31, 2022 and 2021, respectively.

**6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows as of December 31, 2022 and 2021:

	2022	2021
Restricted by Purpose		
Foundation Grants	\$ 4,519,226	\$ 7,204,366
Research Contributions	399,979	304,799
Halfway There Fund	92,330	181,995
Linda Latham Scholarship Fund	64,952	78,591
Harry Misturello Fund	2,797	-
BECC and Other Programs	-	68,192
	5,079,284	7,837,943
Restricted by Time		
Ally Program	114,000	256,000
	\$ 5,193,284	\$ 8,093,943

During the years ended December 31, 2022 and 2021, net assets of \$9,130,587 and \$7,196,828, 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 \$810,970 was donated by ACEEE's Ally members for use in 2022, of which \$256,000 is included in releases from restriction during the year ended December 31, 2022. 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.



AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

7. COMMITMENTS AND CONTINGENCIES

*Operating Lease under Topic 842*

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. ACEEE is not reasonably certain to exercise the option to extend the lease term at the initial date of application of *Leases (Topic 842)*, and the option has not been included in the measurement of the operating right-of-use asset or lease liability, which are presented in the statement of financial position as of December 31, 2022. 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.

Under accounting principles generally accepted in the United States of America (GAAP), operating lease expense is recognized on a straight-line basis over the remaining lease term.

Maturity of the operating lease liability as of December 31, 2022, is as follows:

For the Years Ending December 31,

2023	\$ 705,074
2024	724,322
2025	742,413
2026	760,970
2027	779,974
Thereafter	<u>3,831,194</u>
Total Undiscounted Minimum Lease Payments	7,543,947
Less Discount to Present Value	<u>(575,981)</u>
Total Operating Lease Liability	<u><u>\$ 6,967,966</u></u>

The supplementary qualitative operating lease information is as follows:

<u>Supplementary Qualitative Operating Lease Information</u>	<u>Amount</u>
Weighted-Average Remaining Lease Term (Years)	9.58
Weighted-Average Discount Rate	1.63%

Rent expense for the years ended December 31, 2022 and 2021, totaled \$620,044 and \$635,331, respectively.



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

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**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. In January 2021, the full amount of the loan proceeds was forgiven by the SBA and the amount was included in other income on the statement of activities for the year ended December 31, 2021.

**9. RELATED PARTY TRANSACTIONS**

ACEEE, in conjunction with one other organization, host the Behavior, Energy & Climate Change conference (BECC). 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 North American Strategic Energy Management Collaborative (SEM 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 FINANCIAL RISK**

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofit organizations around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management of ACEEE continues to assess how best to adapt to changed circumstances.

**11. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 19, 2023, which is the date the financial statements were available to be issued.

### **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, 2022, 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.*

Bethesda, Maryland  
May 19, 2023

Certified Public Accountants

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

SCHEDULE OF FRINGE BENEFITS EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

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Holiday, Sick, and Vacation	\$ 1,026,077
Health, Life and Disability Insurance, and Metro Allowance	663,847
Payroll Taxes	512,252
Retirement	401,935
Other Benefits	-
<b>Total Fringe Benefits</b>	<b>\$ 2,604,111</b>

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AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

SCHEDULE OF INDIRECT COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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Salaries	\$ 1,400,914
Fringe Benefits	607,497
Consultants	214,124
Occupancy	114,816
Printing and Publications	89,569
Telephone	53,300
Depreciation	74,468
Staff Development	43,128
Insurance	31,366
Legal Fees	25,948
Accounting Fees	25,000
Supplies	24,449
Conferences, Conventions, and Meetings	21,175
Finance Charges	9,618
Travel Expenses	6,269
Dues and Subscriptions	5,445
Taxes	5,168
Postage and Delivery	2,740
Other Expenses	139
	<hr/>
<b>Total Allowable Indirect Costs</b>	<b>\$ 2,755,133</b>

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

SCHEDULE OF DETERMINATION OF INDIRECT COST RATES  
FOR THE YEAR ENDED DECEMBER 31, 2022

**Fringe Benefits Rate**

Numerator	
Total Fringe Benefits	<u>\$ 2,604,111</u>
Denominator	
Total Salaries	<u>\$ 6,024,444</u>
<b>Fringe Benefits Rate</b>	<u>43.23%</u>

**Depreciation and Amortization Rate**

Numerator	
Total Depreciation and Amortization	<u>\$ 177,210</u>
Denominator	
Total Salaries	<u>\$ 6,024,444</u>
Total Fringe Benefits	<u>2,604,111</u>
<b>Total</b>	<u>\$ 8,628,555</u>
<b>Depreciation and Amortization Rate</b>	<u>2.05%</u>

**Operating Lease**

Numerator	
Total Operating Lease Expense	<u>\$ 620,044</u>
Denominator	
Total Salaries	<u>\$ 6,024,444</u>
Total Fringe Benefits	<u>2,604,111</u>
<b>Total</b>	<u>\$ 8,628,555</u>
<b>Operating Lease</b>	<u>7.19%</u>

AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY

**SCHEDULE OF DETERMINATION OF OTHER RATES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**General and Administrative Cost Rate**

Numerator	
Total Allowable General and Administrative Costs	\$ 1,703,667
Denominator	
Direct Salaries	\$ 4,626,530
Applied Fringe Benefits	2,059,125
Total	\$ 6,685,655
<b>General and Administrative Cost Rate</b>	<b>25.48%</b>

**Human Resources Rate**

Numerator	
Total Human Resources Expense	\$ 366,935
Denominator	
Total Salaries	\$ 6,024,444
Total Fringe Benefits	2,604,111
Total	\$ 8,628,555
<b>Human Resources Rate</b>	<b>4.25%</b>

**IT, Website, and Database Rate**

Numerator	
Total IT, Website, and Database Expense	\$ 606,897
Denominator	
Total Salaries	\$ 6,024,444
Total Fringe Benefits	2,604,111
Total	\$ 8,628,555
<b>IT, Website, and Database Rate</b>	<b>7.03%</b>

**Supplies and Communications Rate**

Numerator	
Total Supplies and Communications	\$ 77,634
Denominator	
Total Salaries	\$ 6,024,444
Total Fringe Benefits	2,604,111
Total	\$ 8,628,555
<b>Supplies and Communications Rate</b>	<b>0.90%</b>