

**INSTITUTE FOR ENERGY ECONOMICS
AND
FINANCIAL ANALYSIS, INC.**

**FINANCIAL STATEMENTS
(With Independent Auditors' Report)**

DECEMBER 31, 2018 AND 2017

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

INDEX TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

	<u>Page</u>
Independent Auditors' Report	1 – 2
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4 – 5
Statement of Functional Expenses	6 – 7
Statement of Cash Flows	8
Notes to Financial Statements	9 – 15

Mark G. Mills
William M. Potoczak

Independent Auditors' Report

To the Board of Directors
Institute for Energy Economics and Financial Analysis, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Institute for Energy Economics and Financial Analysis, Inc. (the "Institute"), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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 Institute'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 Institute'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.

To the Board of Directors
Institute for Energy Economics and Financial Analysis, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2018 and 2017, 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.

A handwritten signature in blue ink, appearing to read "K. J. Potoczki Company".

Cleveland, Ohio
May 28, 2019

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,844,786	\$ 1,224,162
Contributions receivable	1,850	-
Grants receivable	551,234	416,675
Prepaid expenses and other	<u>174,890</u>	<u>174,222</u>
Total assets	<u>\$ 2,572,760</u>	<u>\$ 1,815,059</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 130,578	\$ 72,736
Accrued expenses	7,500	6,500
Accrued payroll and taxes	18,266	13,934
Deferred revenues	<u>11,185</u>	<u>-</u>
Total current liabilities	167,529	93,170
Commitments and contingencies	-	-
Net assets:		
Without donor restrictions	160,674	105,405
With donor restrictions	<u>2,244,557</u>	<u>1,616,484</u>
Total net assets	<u>2,405,231</u>	<u>1,721,889</u>
Total liabilities and net assets	<u>\$ 2,572,760</u>	<u>\$ 1,815,059</u>

See notes to financial statements.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grants	\$ 987,220	\$ 2,768,103	\$ 3,755,323
Program service fees	3,125		3,125
Interest	3,880		3,880
Contributions	2,350		2,350
Net assets released from donor restrictions	2,140,030	(2,140,030)	-
Total	<u>3,136,605</u>	<u>628,073</u>	<u>3,764,678</u>
Expenses:			
Programs:			
Research	1,720,303		1,720,303
Education	954,429		954,429
Supporting services:			
Administrative	186,926		186,926
Fundraising	219,678		219,678
Total	<u>3,081,336</u>	<u>-</u>	<u>3,081,336</u>
Change in net assets	55,269	628,073	683,342
Net assets, beginning of period	<u>105,405</u>	<u>1,616,484</u>	<u>1,721,889</u>
Net assets, end of period	<u>\$ 160,674</u>	<u>\$ 2,244,557</u>	<u>\$ 2,405,231</u>

See notes to financial statements.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grants	\$ 1,024,975	\$ 2,376,575	\$ 3,401,550
Program service fees	4,200		4,200
Interest	66		66
Contributions	3,950		3,950
Net assets released from donor restrictions	<u>1,630,316</u>	<u>(1,630,316)</u>	<u>-</u>
Total	2,663,507	746,259	3,409,766
Expenses:			
Programs:			
Research	1,398,977		1,398,977
Education	779,900		779,900
Supporting services:			
Administrative	103,353		103,353
Fundraising	<u>162,319</u>		<u>162,319</u>
Total	<u>2,444,549</u>	<u>-</u>	<u>2,444,549</u>
Change in net assets	218,958	746,259	965,217
Net assets, beginning of period	<u>(113,553)</u>	<u>870,225</u>	<u>756,672</u>
Net assets, end of period	<u>\$ 105,405</u>	<u>\$ 1,616,484</u>	<u>\$ 1,721,889</u>

See notes to financial statements.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program activities			Supporting activities		
	Research	Education	Total Program	Administrative	Fundraising	Total Supporting
Compensation, taxes, and benefits	\$ 50,392	\$ 65,689	\$ 116,081	\$ 85,351	\$ 136,861	\$ 222,212
Professional fees and costs:						
Accounting				15,193		15,193
Legal				6,410		6,410
Consulting	1,539,391	604,818	2,144,209	63,046	68,659	131,705
Contribution						-
Education and training		168,630	168,630			168,630
Media communications		76,766	76,766	4,040		4,040
Insurance	4,333	1,238	5,571	410	309	719
Dues and subscriptions	80,760		80,760			80,760
Office	5,887	13,217	19,104	7,457	4,599	12,056
Rent	1,500	2,100	3,600	4,200	4,200	8,400
Travel	38,040	21,971	60,011	819	5,050	5,869
	<u>\$ 1,720,303</u>	<u>\$ 954,429</u>	<u>\$ 2,674,732</u>	<u>\$ 186,926</u>	<u>\$ 219,678</u>	<u>\$ 406,604</u>
						<u>\$ 3,081,336</u>

See notes to financial statements.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program activities			Supporting activities		
	Research	Education	Total Program	Administrative	Fundraising	Total Supporting
Compensation, taxes, and benefits	\$ 49,117	\$ 44,593	\$ 93,710	\$ 65,017	\$ 113,356	\$ 178,373
Professional fees and costs:						
Accounting				14,460		14,460
Legal				5,608		5,608
Consulting	1,252,731	524,516	1,777,247	7,858	37,118	44,976
Contribution		10,000	10,000			
Education and training		154,123	154,123			
Media communications		19,191	19,191	1,010		1,010
Insurance	3,697	1,056	4,753	364	264	628
Dues and subscriptions	53,796		53,796			
Office	3,875	6,800	10,675	4,619	4,563	9,182
Rent	1,450	2,030	3,480	4,060	4,060	8,120
Travel	34,311	17,591	51,902	357	2,958	3,315
	<u>\$ 1,398,977</u>	<u>\$ 779,900</u>	<u>\$ 2,178,877</u>	<u>\$ 103,353</u>	<u>\$ 162,319</u>	<u>\$ 265,672</u>
						<u>\$ 2,444,549</u>

See notes to financial statements.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 683,342	\$ 965,217
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in assets and liabilities:		
Grants receivable	(134,559)	(327,975)
Contributions receivable	(1,850)	-
Prepaid expenses and other	(668)	(149,271)
Accounts payable	57,842	48,002
Accrued expenses	1,000	-
Accrued payroll and taxes	4,332	3,357
Deferred revenues	11,185	-
	<u>620,624</u>	<u>539,330</u>
Net cash provided by operating activities	620,624	539,330
Cash and cash equivalents, beginning of period	<u>1,224,162</u>	<u>684,832</u>
Cash and cash equivalents, end of period	<u>\$ 1,844,786</u>	<u>\$ 1,224,162</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

1. Purpose, presentation and summary of significant accounting policies:

Purpose

The Institute for Energy Economics and Financial Analysis, Inc.'s ("IEEFA" or the "Institute") mission is to accelerate the transition to a diverse, sustainable and profitable energy economy. In furtherance of the Institute's mission, the Institute's activities include but are not limited to:

Research – conduct analysis and publish and release studies on energy issues; resource planning; power plant economics and financing; the financial and economic risks of energy alternatives; water and energy; and coal reserves, exports and prices;

Education – sponsor at least one major two-to-three day training program each year and hold additional webinars, seminars, and other educational events as needed and requested; and

Testimony – provide expert testimony before state and federal regulatory agencies and in relevant court proceedings regarding the financial and economic risks and viability of energy alternatives and other related issues.

The Institute was incorporated in the Commonwealth of Massachusetts on December 12, 2011 and received its tax exemption as a 501(c)(3) organization from the Internal Revenue Service on February 22, 2013.

Prior to the commencement of the Institute's operations on June 1, 2013, activities were conducted as part of the operations of the Rockefeller Family Fund.

The Institute is primarily funded through grants received from private foundations and non-profit organizations, the renewal of which is uncertain.

Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting. The financial presentation follows FASB Financial Accounting Standards Codification ("ASC") 958, "*Presentation of Financial Statements of Not-for-Profit Entities*". Under ASC 958, IEEFA is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

1. Purpose, presentation and summary of significant accounting policies (continued):

Significant Accounting Policies

Adoption of Accounting Standards Update (“ASU”) 2016-14

The Institute applied the requirements of the Financial Accounting Standards Board (the “FASB”) issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*, on a retrospective basis. Under the retrospective method, the guidance in this ASU has been applied as of the beginning of the earliest year presented. The adoption of this ASU did not result in any reclassifications or restatements and had no impact on the changes in the classes of net assets (net assets without donor restrictions, previously titled net assets unrestricted, and net assets with donor restrictions, previously titled net assets temporarily restricted) as of December 31, 2017.

Recently issued accounting standard updates

In May 2014 the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), effective for the Institute’s annual reporting periods beginning after December 15, 2018. Management is in the process of evaluating this ASU and its impact on the Institute’s reported financial condition, results of operations and cash flows is not yet known.

In February 2016 the FASB issued ASU No. 2016-02, *Leases* (Topic 842), effective for the Institute’s annual reporting periods beginning after December 15, 2019. Management is in the process of evaluating this ASU and its impact on the Institute’s reported financial condition, results of operations and cash flows is not yet known.

In June 2018 the FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for the Institute’s annual reporting periods beginning after December 15, 2018. Management is in the process of evaluating this ASU and its impact on the Institute’s reported financial condition, results of operations and cash flows is not yet known.

Cash and cash equivalents

IEEFA considers all highly liquid investments with a maturity of three months or less when purchased to be “cash equivalents.”

IEEFA maintains its cash and cash equivalent balances at one financial institution. The Federal Deposit Insurance Corporation (“FDIC”) fully insures the balances in IEEFA’s accounts up to \$250,000. IEEFA had uninsured cash balances of \$1,594,786 and \$974,162 at December 31, 2018 and 2017, respectively.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

1. Purpose, presentation and summary of significant accounting policies (continued):

Significant Accounting Policies (continued)

Grants and contributions

Grants and contributions (promises to give) are recorded as made and are classified as either with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Grants with donor restrictions are reported as increases in net assets without donor restrictions if the donor restriction is satisfied in the same reporting period in which the revenue is recognized. When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from donor restrictions.

The Institute received 61% of its grant funding from four sources in 2018 and 52% of its grant funding from three sources in 2017. During 2018 and 2017 the Institute received approximately 12% and 19%, respectively, of its grant funding from an international foundation. At December 31, 2018 and 2017 grants receivable from these funding sources accounted for approximately 86% and 82%, respectively, of total grants receivable.

Promises to give are stated at the amount promised less an allowance for uncollectible promises, which management estimates based on current and historical experiences. This net amount approximates fair value. Management has determined that no allowance for uncollectible promises was required at December 31, 2018 or 2017. The Institute incurred no losses from uncollected promises during the year ended December 31, 2018 or 2017.

Functional allocation of expenses

For purposes of the Statement of Functional Expenses, those expenses directly attributable to a specific program or supporting activity are charged directly to that activity. Expenses that are attributable to more than one program or supporting activity are allocated as follows:

Compensation, taxes, and benefits – estimated percentage of time and effort spent by each employee;

Rent and office expense – average estimated percentage of time spent by all employees;

Consulting fees and travel – estimated percentage time and effort spent by consultants or employees;

Media communications and insurance – estimated percentage of attributable benefit.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

1. Purpose, presentation and summary of significant accounting policies (continued):

Significant Accounting Policies (continued)

Income taxes

IEEFA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is considered a charitable corporation.

IEEFA records interest and penalties assessed by taxing authorities as incurred in the statement of activities and changes in net assets. There were no assessments of penalties or interest made by tax authorities against IEEFA for the year ended December 31, 2018 or 2017. The Institute's tax return from its initial period ended December 31, 2015 onward is subject to examination by major tax jurisdictions.

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 reported amounts of assets (principally the estimated collections of promises to give) and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

2. Net assets with donor restrictions:

Net assets with donor restrictions as of December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Program activities:		
Subject to expenditures for research and education, within one-year	\$ 1,207,473	\$ 806,000
Subject to expenditures for research and education, within the year ending December 31, 2020	<u>300,000</u>	<u>-</u>
	1,507,473	806,000
Supporting activities:		
Subject to the passage of time, within one-year	<u>737,084</u>	<u>810,484</u>
	<u>\$ 2,244,557</u>	<u>\$ 1,616,484</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

2. Net assets with donor restrictions (continued):

Net assets with donor restrictions released by incurring research and education expenditures and or through the passage of time is as follows for the year ended December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Program activities	\$ 1,296,630	\$ 1,441,200
Supporting activities	<u>843,400</u>	<u>189,116</u>
	<u>\$ 2,140,030</u>	<u>\$ 1,630,316</u>

3. Conditional promise:

During 2017 the Institute received a challenge grant in the amount of \$250,000, of which \$40,000 was allocated to another organization. The Institute met the provisions of the challenge grant as follows: \$190,000 in 2017 and \$60,000 in 2018, and accordingly recognized its portion of the challenge grant as support without donor restrictions as follows: \$159,600 in 2017 and \$50,400 in 2018.

4. Commitments:

Office space

In July 2018 IEEFA renewed its one-year non-cancelable operating lease for office space that requires minimum monthly payments of \$1,000. Future minimum lease payments due under this lease are \$4,000 in 2019.

Rent expense was \$12,000 and \$11,600 in 2018 and 2017, respectively.

Consulting

The Institute has one-year agreements with various professionals in program supporting disciplines that expire at various times in 2019 and provide for aggregate monthly fees of approximately \$204,000 at December 31, 2018. Each agreement can be terminated at any time by written notice from either party to the agreement.

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

5. Retirement plan:

The Institute sponsors the IEEFA 401(k) Retirement Savings Plan (the "Plan") under the safe harbor plan provisions. Under the provisions of the Plan, the Institute matches 100% of the first 3% of each eligible employee's compensation deferred and 50% of each eligible employee's compensation voluntarily deferred in excess of 3% up to 5%. Matching contributions for the year ended December 31, 2018 and 2017 were \$9,369 and \$8,325, respectively.

6. Resource management:

The following summarizes the Institute's financial assets as of December 31, 2018, reduced by amounts not available for general use within the following year because of donor-imposed restrictions.

Cash	\$ 1,844,786
Contributions receivable	1,850
Grants receivable	<u>551,234</u>
	2,397,870
Less assets unavailable for general expenditures	
Donor imposed restrictions to be satisfied in 2019	1,207,473
Donor imposed restrictions to be satisfied in 2020	<u>300,000</u>
Assets available to meet cash needs for general use in 2019	<u>\$ 890,397</u>

The Institute is substantially supported by donor restricted contributions. Because a donor's restriction requires resources to be used in a particular manner and or in a future period, the Institute must maintain sufficient resources to meet donor requirements.

The Institute, based on its investment policy of principal preservation, deposits excess cash in an interest-bearing money market account. The balance of these invested funds was \$1,470,733 at December 31, 2018 and \$731,853 at December 31, 2017. Financial assets are not subject to either non-donor external or internal (Board of Directors) restrictions.

The Institute has no other available sources of liquidity.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

7. Subsequent events:

Management has undertaken a review of events occurring subsequent to December 31, 2018 through the date the financial statements were available to be issued, May 28, 2019. Management has determined that no events occurring subsequent to December 31, 2018 required adjustment to amounts originally recorded or additional disclosures.