

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

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

**DECEMBER 31, 2019 AND 2018**

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

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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, 2019 and 2018, 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, 2019 and 2018, 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.

*Mills, Potoczal & Company*

Cleveland, Ohio  
July 24, 2020

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,363,253	\$ 1,844,786
Contributions receivable	-	1,850
Grants receivable	242,778	551,234
Prepaid expenses and other	<u>106,455</u>	<u>174,890</u>
Total assets	<u>\$ 3,712,486</u>	<u>\$ 2,572,760</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 38,684	\$ 130,578
Accrued expenses	7,500	7,500
Accrued payroll and taxes	33,705	18,266
Deferred revenues	-	11,185
Refundable advances	<u>1,178,664</u>	<u>-</u>
Total current liabilities	1,258,553	167,529
Commitments and contingencies	-	-
Net assets:		
Without donor restrictions	484,807	160,674
With donor restrictions	<u>1,969,126</u>	<u>2,244,557</u>
Total net assets	<u>2,453,933</u>	<u>2,405,231</u>
Total liabilities and net assets	<u>\$ 3,712,486</u>	<u>\$ 2,572,760</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grants	\$ 1,448,370	\$ 2,107,000	\$ 3,555,370
Program service fees	97,414		97,414
Interest	14,044		14,044
Contributions	750		750
Net assets released from donor restrictions	2,382,431	(2,382,431)	-
Total	<u>3,943,009</u>	<u>(275,431)</u>	<u>3,667,578</u>
Expenses:			
Programs:			
Research	2,051,658		2,051,658
Education	1,114,469		1,114,469
Supporting services:			
Administrative	196,266		196,266
Fundraising	256,483		256,483
Total	<u>3,618,876</u>	<u>-</u>	<u>3,618,876</u>
Change in net assets	324,133	(275,431)	48,702
Net assets, beginning of period	<u>160,674</u>	<u>2,244,557</u>	<u>2,405,231</u>
Net assets, end of period	<u>\$ 484,807</u>	<u>\$ 1,969,126</u>	<u>\$ 2,453,933</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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program activities			Supporting activities		
	Research	Education	Total Program	Administrative	Fundraising	Total Supporting
Compensation, taxes, and benefits	\$ 54,132	\$ 204,137	\$ 258,269	\$ 102,075	\$ 149,174	\$ 251,249
Professional fees and costs:						
Accounting				16,636		16,636
Legal				17,177		17,177
Consulting	1,818,535	563,577	2,382,112	40,000	93,849	133,849
Grants awarded	28,000	7,000	35,000			35,000
Education and training		189,002	189,002			189,002
Media communications		117,980	117,980	6,209		6,209
Insurance	4,458	1,274	5,732	419	318	737
Dues and subscriptions	75,123		75,123			75,123
Office	18,976	14,849	33,825	9,221	4,807	14,028
Rent	1,500	2,100	3,600	4,200	4,200	8,400
Travel	50,934	14,550	65,484	329	4,135	4,464
	<u>\$ 2,051,658</u>	<u>\$ 1,114,469</u>	<u>\$ 3,166,127</u>	<u>\$ 196,266</u>	<u>\$ 256,483</u>	<u>\$ 452,749</u>
						<u>\$ 3,618,876</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	Program	Administrative	Fundraising	Supporting
			Total			Total
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
Grants awarded						-
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 CASH FLOWS

YEAR ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 48,702	\$ 683,342
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in assets and liabilities:		
Grants receivable	308,456	(134,559)
Contributions receivable	1,850	(1,850)
Prepaid expenses and other	68,435	(668)
Accounts payable	(91,894)	57,842
Accrued expenses	-	1,000
Accrued payroll and taxes	15,439	4,332
Deferred revenues	(11,185)	11,185
Refundable advances	<u>1,178,664</u>	<u>-</u>
Net cash provided by operating activities	1,518,467	620,624
Cash and cash equivalents, beginning of period	<u>1,844,786</u>	<u>1,224,162</u>
Cash and cash equivalents, end of period	<u>\$ 3,363,253</u>	<u>\$ 1,844,786</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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**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, 2019 AND 2018

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

***Significant Accounting Policies***

Adoption of accounting standard updates

The Institute adopted the requirements of ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as of January 1, 2019 utilizing the *modified retrospective* method of transition. Management applied the new guidance only to contracts (exchange transactions) that were not completed as of January 1, 2019. The adoption of this ASU did not have a material effect on any financial statement line item and no cumulative adjustment to opening net assets as of January 1, 2019 was necessary.

The Institute adopted the requirements of ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019 utilizing the modified prospective basis. Management applied the new guidance only to the portion of unrecognized revenue from agreements that were not completed as of January 1, 2019 and new agreements entered into during the year. The adoption of this ASU did not have a material effect on any financial statement line item and no cumulative adjustment to opening net assets as of January 1, 2019 was necessary.

Recently issued accounting standard update

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, 2020. 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 \$3,113,253 and \$1,594,786 December 31, 2019 and 2018 respectively.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

***Significant Accounting Policies (continued)***

Support recognition

*Unconditional promises to give*

Grants and contributions 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 and contributions with donor restrictions including contributions that were initially reported as conditional promises to give are reported as increases in net assets without donor restrictions if the donor condition and / or restriction is satisfied in the same reporting period in which the support 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 48% of its grant funding from three sources in 2019 and 61% of its grant funding from four sources in 2018. During 2019 and 2018 the Institute received approximately 21% and 12%, respectively, of its grant funding from international foundations. At December 31, 2019 and 2018 grants receivable from these funding sources accounted for approximately 0% and 86%, respectively, of total grants receivable.

Unconditional 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, 2019 or 2018. The Institute incurred no losses from uncollected promises during the year ended December 31, 2019 or 2018.

*Conditional promises to give*

Conditional promises to give represent promises for the transfer of funds in which the Institute must overcome a barrier(s), such as (1) the occurrence of an identified event, (2) achieving a specific performance metric, or (3) complying with discretionary limits imposed in the agreement, before the Institute becomes entitled to the promise to transfer funds or funds already transferred. Conditional promises for which funds have been transferred to the Institute prior to the Institute overcoming the barrier are recognized in the statement of financial position as refundable advances. Conditional promises to give for which the Institute has overcome the imposed barrier are recognized as unconditional promises to give with or without donor restrictions dependent on the terms of the agreement.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

***Significant Accounting Policies (continued)***

Revenue recognition

The Institute is at times engaged to provide specific research and / or services principally under fixed priced or not to exceed contracts with varying lengths, but typically under six months at initial contract acceptance. The Institute does not incur any significant incremental costs to obtain a contract nor does it offer contracts which include any significant financing component or provide for discounts. The Institute recognizes revenue from its contracts (program service fees) over time or at a point in time dependent upon the terms of the contract, generally as time is incurred or upon report issuance. Costs to fulfill a contract generally include subcontract costs such as consulting and other professional fees which are incurred and expensed at the time services are performed or at report completion. The Institute's indirect and administrative costs such as compensation and benefits are expensed as incurred.

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

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, 2019 or 2018. The Institute's tax return from its initial period ended December 31, 2016 onward is subject to examination by major tax jurisdictions.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

*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 reported amounts of assets (principally the classification and 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. Refundable advances:**

During 2019 the Institute received numerous conditional promises from donors aggregating \$2,384,469, of which \$1,841,747 were received in cash. Conditions included (1) program funding, (2) employee retention, (3) consultant retention, and (4) acceptable performance as determined by the applicable donor. The Institute met applicable donor funding conditions and restrictions, for amounts aggregating \$665,861 (included as support without donor restrictions). Cash received for conditions not yet met as of December 31, 2019 aggregated \$1,178,664 which is included in refundable advances. Amounts attributable to conditions met as of December 31, 2019 that were in excess of cash received aggregated \$2,778, which is included in grants receivable.

**3. Net assets with donor restrictions:**

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

	<u>2019</u>	<u>2018</u>
Program activities:		
Subject to expenditures for research and education, within one-year	\$ 798,335	\$ 1,207,473
Subject to expenditures for research and education, beyond the next year	<u>-</u>	<u>300,000</u>
	798,335	1,507,473
Supporting activities:		
Subject to the passage of time, within one-year	1,081,833	737,084
Subject to the passage of time, within two years	<u>88,958</u>	<u>-</u>
	<u>\$ 1,969,126</u>	<u>\$ 2,244,557</u>

INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

**3. 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, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Program activities	\$ 1,299,138	\$ 1,296,630
Supporting activities	<u>1,083,293</u>	<u>843,400</u>
	<u>\$ 2,382,431</u>	<u>\$ 2,140,030</u>

**4. Commitments:**

Office space

In May 2019 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 \$5,000 in 2020.

Rent expense was \$12,000 in both 2019 and 2018.

Consulting

The Institute has one-year agreements with various professionals in program supporting disciplines that expire at various times in 2020 and provide for aggregate monthly fees of approximately \$242,615 at December 31, 2019. Each agreement can be terminated in 30 days or less by written notice from either party to the agreement.

**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, 2019 and 2018 were \$10,161 and \$10,160, respectively.



INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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**6. Related party transactions:**

The Institute received grants in 2019 totaling \$728,500 from organizations affiliated with certain members of the Institute's Board of Directors (the "Board"). The Institute (via variance authority provided by the donor) awarded a \$35,000 grant in 2019 to an organization affiliated with a member of the Board.

**7. Resource management:**

The following summarizes the Institute's financial assets as of December 31, 2019, reduced by amounts not available for general use within the following year because of donor-imposed restrictions.

Cash	\$ 3,363,253
Contributions receivable	-
Grants receivable	<u>242,778</u>
	3,606,031
Less assets unavailable for general expenditures	
Donor imposed restrictions to be satisfied in 2020	1,170,791
Donor imposed restrictions to be satisfied in 2021	88,958
Donor conditions not yet met (refundable advances)	<u>1,178,664</u>
Assets available to meet cash needs for general use in 2020	<u>\$ 1,167,618</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 \$2,004,763 at December 31, 2019. 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, 2019 AND 2018

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**8. Subsequent events:**

Management has undertaken a review of events occurring subsequent to December 31, 2019 through the date the financial statements were available to be issued, July 24, 2020. Management has determined that no events occurring subsequent to December 31, 2019 required adjustment to amounts originally recorded or disclosure in the financial statements.